

## Supplemental Listing Document

If you are in any doubt as to any aspect of this document, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, accountant or other professional adviser.

Application has been made to the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) for permission to deal in and for quotation of the Certificates (as defined below). The SGX-ST takes no responsibility for the contents of this document, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document. Admission to the Official List of the SGX-ST is not to be taken as an indication of the merits of SG Issuer, Société Générale, the Certificates, or the Company (as defined below).

**20,000,000 European Style Cash Settled Short Certificates relating to**

**the ordinary shares of WuXi Biologics (Cayman) Inc.**

**with a Daily Leverage of -5x**

**issued by**

**SG Issuer**

**(Incorporated in Luxembourg with limited liability)**

**unconditionally and irrevocably guaranteed by**

**Société Générale**

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**Issue Price: S\$0.50 per Certificate**

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This document is published for the purpose of obtaining a listing of all the above certificates (the “**Certificates**”) to be issued by SG Issuer (the “**Issuer**”) unconditionally and irrevocably guaranteed by Société Générale (the “**Guarantor**”), and is supplemental to and should be read in conjunction with a base listing document dated 16 June 2023 including such further base listing documents as may be issued from time to time (the “**Base Listing Document**”) for the purpose of giving information with regard to the Issuer, the Guarantor and the Certificates. Information relating to the Company (as defined below) is contained in this document.

This document does not constitute or form part of any offer, or invitation, to subscribe for or to sell, or solicitation of any offer to subscribe for or to purchase, Certificates or other securities of the Issuer, nor is it calculated to invite, nor does it permit the making of, offers by the public to subscribe for or purchase for cash or other consideration the Certificates or other securities of the Issuer.

Restrictions have been imposed on offers and sales of the Certificates and on distributions of documents relating thereto in Singapore, Hong Kong, the European Economic Area, the United Kingdom and the United States (see “Placing and Sale” contained herein).

The Certificates are complex products. You should exercise caution in relation to them. Investors are warned that the price of the Certificates may fall in value as rapidly as it may rise and holders may sustain a total loss of their investment. The price of the Certificates also depends on the supply and demand for the Certificates in the market and the price at which the Certificates is trading

at any time may differ from the underlying valuation of the Certificates because of market inefficiencies. It is not possible to predict the secondary market for the Certificates. Although the Issuer, the Guarantor and/or any of their affiliates may from time to time purchase the Certificates or sell additional Certificates on the market, the Issuer, the Guarantor and/or any of their affiliates are not obliged to do so. Investors should also note that there are leveraged risks because the Certificates integrate an inverse leverage mechanism and the Certificates will amplify the movements in the increase, and in the decrease, of the value of the Underlying Stock (as defined below) and if the investment results in a loss, any such loss will be increased by the leverage factor of the Certificates. As such, investors could lose more than they would if they had invested directly in the Underlying Stock.

The Certificates are classified as capital markets products other than prescribed capital markets products<sup>1</sup> and Specified Investment Products (SIPs)<sup>2</sup>, and may only be sold to retail investors with enhanced safeguards, including an assessment of such investors' investment knowledge or experience.

The Certificates constitute general unsecured obligations of the Issuer (in the case of any substitution of the Issuer in accordance with the Conditions of the Certificates, the Substituted Obligor as defined in the Conditions of the Certificates) and of no other person, and the guarantee dated 16 June 2023 (the "**Guarantee**") and entered into by the Guarantor constitutes direct unconditional unsecured senior preferred obligations of the Guarantor and of no other person, and if you purchase the Certificates, you are relying upon the creditworthiness of the Issuer and the Guarantor and have no rights under the Certificates against any other person.

Application has been made to the SGX-ST for permission to deal in and for quotation of the Certificates and the SGX-ST has agreed in principle to grant permission to deal in and for quotation of the Certificates. It is expected that dealings in the Certificates will commence on or about 11 July 2023.

As of the date hereof, the Guarantor's long term credit rating by S&P Global Ratings is A, and by Moody's Investors Service, Inc. is A1.

The Issuer is regulated by the Luxembourg Commission de Surveillance du Secteur Financier on a consolidated basis and the Guarantor is regulated by, *inter alia*, the Autorité des Marchés Financiers, the Autorité de Contrôle Prudentiel et de Résolution and the European Central Bank.

10 July 2023

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<sup>1</sup> As defined in the Securities and Futures (Capital Markets Products) Regulations 2018.

<sup>2</sup> As defined in the MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products.

Subject as set out below, the Issuer and the Guarantor accept full responsibility for the accuracy of the information contained in this document and the Base Listing Document in relation to themselves and the Certificates. To the best of the knowledge and belief of the Issuer and the Guarantor (each of which has taken all reasonable care to ensure that such is the case), the information contained in this document and the Base Listing Document for which they accept responsibility (subject as set out below in respect of the information contained herein with regard to the Company) is in accordance with the facts and does not omit anything likely to affect the import of such information. The information with regard to the Company as set out herein is extracted from publicly available information. The Issuer and the Guarantor accept responsibility only for the accurate reproduction of such information. No further or other responsibility or liability in respect of such information is accepted by the Issuer and the Guarantor.

No person has been authorised to give any information or to make any representation other than those contained in this document in connection with the offering of the Certificates, and, if given or made, such information or representations must not be relied upon as having been authorised by the Issuer or the Guarantor. Neither the delivery of this document nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Issuer, the Guarantor or their respective subsidiaries and associates since the date hereof.

This document does not constitute an offer or invitation by or on behalf of the Issuer or the Guarantor to purchase or subscribe for any of the Certificates. The distribution of this document and the offering of the Certificates may, in certain jurisdictions, be restricted by law. The Issuer and the Guarantor require persons into whose possession this document comes to inform themselves of and observe all such restrictions. In particular, the Certificates and the Guarantee have not been and will not be registered under the United States Securities Act of 1933, as amended or any state securities law, and trading in the Certificates has not been approved by the United States Commodity Futures Trading Commission (the “**CFTC**”) under the United States Commodity Exchange Act of 1936, as amended and the Issuer has not been and will not be registered as an investment company under the United States Investment Company Act of 1940, as amended, and the rules and regulations thereunder. None of the Securities and Exchange Commission, any state securities commission or regulatory authority or any other United States, French or other regulatory authority has approved or disapproved of the Certificates or the Guarantee or passed upon the accuracy or adequacy of this document. Accordingly, Certificates, or interests therein, may not at any time be offered, sold, resold, traded, pledged, exercised, redeemed, transferred or delivered, directly or indirectly, in the United States or to, or for the account or benefit of, U.S. persons, nor may any U.S. person at any time trade, own, hold or maintain a position in the Certificates or any interests therein. In addition, in the absence of relief from the CFTC, offers, sales, re-sales, trades, pledges, exercises, redemptions, transfers or deliveries of Certificates, or interests therein, directly or indirectly, in the United States or to, or for the account or benefit of, U.S. persons, may constitute a violation of United States law governing commodities trading and commodity pools. Consequently, any offer, sale, resale, trade, pledge, exercise, redemption, transfer or delivery made, directly or indirectly, within the United States or to, or for the account or benefit of, a U.S. person will not be recognised. A further description of certain restrictions on offering and sale of the Certificates and distribution of this document is given in the section headed “Placing and Sale” contained herein.

The SGX-ST has made no assessment of, nor taken any responsibility for, the financial soundness of the Issuer or the Guarantor or the merits of investing in the Certificates, nor have they verified the accuracy or the truthfulness of statements made or opinions expressed in this document.

The Issuer, the Guarantor and/or any of their affiliates may repurchase Certificates at any time on or after the date of issue and any Certificates so repurchased may be offered from time to time in

one or more transactions in the over-the-counter market or otherwise at prevailing market prices or in negotiated transactions, at the discretion of the Issuer, the Guarantor and/or any of their affiliates. Investors should not therefore make any assumption as to the number of Certificates in issue at any time.

References in this document to the “**Conditions**” shall mean references to the Terms and Conditions of the European Style Cash Settled Long/Short Certificates on Single Equities contained in the Base Listing Document. Terms not defined herein shall have the meanings ascribed thereto in the Conditions.

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## RISK FACTORS

The following are risk factors relating to the Certificates:

- (a) investment in Certificates involves substantial risks including market risk, liquidity risk, and the risk that the Issuer and/or the Guarantor will be unable to satisfy its/their obligations under the Certificates. Investors should ensure that they understand the nature of all these risks before making a decision to invest in the Certificates. You should consider carefully whether Certificates are suitable for you in light of your experience, objectives, financial position and other relevant circumstances. Certificates are not suitable for inexperienced investors;
- (b) the Certificates constitute general unsecured obligations of the Issuer (in the case of any substitution of the Issuer in accordance with the Conditions of the Certificates, the Substituted Obligor as defined in the Conditions of the Certificates) and of no other person, and the Guarantee constitutes direct unconditional unsecured senior preferred obligations of the Guarantor and of no other person. In particular, it should be noted that the Issuer issues a large number of financial instruments, including Certificates, on a global basis and, at any given time, the financial instruments outstanding may be substantial. If you purchase the Certificates, you are relying upon the creditworthiness of the Issuer and the Guarantor and have no rights under the Certificates against any other person;
- (c) since the Certificates relate to the price of the Underlying Stock, certain events relating to the Underlying Stock may cause adverse movements in the value and the price of the Underlying Stock, as a result of which, the Certificate Holders (as defined in the Conditions of the Certificates) may, in extreme circumstances, sustain a significant loss of their investment if the price of the Underlying Stock has risen sharply;
- (d) due to their nature, the Certificates can be volatile instruments and may be subject to considerable fluctuations in value. The price of the Certificates may fall in value as rapidly as it may rise due to, including but not limited to, variations in the frequency and magnitude of the changes in the price of the Underlying Stock, the time remaining to expiry, the currency exchange rates and the creditworthiness of the Issuer and the Guarantor;
- (e) if, whilst any of the Certificates remain unexercised, trading in the Underlying Stock is suspended or halted on the relevant stock exchange, trading in the Certificates may be suspended for a similar period;
- (f) as indicated in the Conditions of the Certificates and herein, a Certificate Holder must tender a specified number of Certificates at any one time in order to exercise. Thus, Certificate Holders with fewer than the specified minimum number of Certificates in a particular series will either have to sell their Certificates or purchase additional Certificates, incurring transactions costs in each case, in order to realise their investment;
- (g) investors should note that in the event of there being a Market Disruption Event (as defined in the Conditions) determination or payment of the Cash Settlement Amount (as defined in the Conditions) may be delayed, all as more fully described in the Conditions;
- (h) certain events relating to the Underlying Stock require or, as the case may be, permit the Issuer to make certain adjustments or amendments to the Conditions. Investors may refer to the Conditions 4 and 6 on pages 31 to 36 and the examples and illustrations of adjustments set out in the “Information relating to the European Style Cash Settled Short Certificates on Single Equities” section of this document for more information;

- (i) the Certificates are only exercisable on the Expiry Date and may not be exercised by Certificate Holders prior to such Expiry Date. Accordingly, if on the Expiry Date the Cash Settlement Amount is zero, a Certificate Holder will lose the value of his investment;
- (j) the total return on an investment in any Certificate may be affected by the Hedging Fee Factor (as defined below), Management Fee (as defined below) and Gap Premium (as defined below);
- (k) investors holding their position overnight should note that they would be required to bear the annualised cost which consists of the Management Fee and Gap Premium, which are calculated daily and applied to the value of the Certificates, as well as certain costs embedded within the Leverage Inverse Strategy (as described below) including the Stock Borrowing Cost (as defined below) and Rebalancing Cost (as defined below);
- (l) investors should note that there may be an exchange rate risk relating to the Certificates where the Cash Settlement Amount is converted from a foreign currency into Singapore dollars.

Exchange rates between currencies are determined by forces of supply and demand in the foreign exchange markets. These forces are, in turn, affected by factors such as international balances of payments and other economic and financial conditions, government intervention in currency markets and currency trading speculation. Fluctuations in foreign exchange rates, foreign political and economic developments, and the imposition of exchange controls or other foreign governmental laws or restrictions applicable to such investments may affect the foreign currency market price and the exchange rate-adjusted equivalent price of the Certificates. Fluctuations in the exchange rate of any one currency may be offset by fluctuations in the exchange rate of other relevant currencies;

- (m) investors should note that there are leveraged risks because the Certificates integrate an inverse leverage mechanism and the Certificates will amplify the movements in the increase, and in the decrease, of the value of the Underlying Stock and if the investment results in a loss, any such loss will be increased by the leverage factor of the Certificates. As such, investors could lose more than they would if they had invested directly in the Underlying Stock;
- (n) when held for longer than a day, the performance of the Certificates could be more or less than the leverage factor that is embedded within the Certificates. The performance of the Certificates each day is locked in, and any subsequent returns are based on what was achieved the previous day. This process, referred to as compounding, may lead to a performance difference from 5 times the inverse performance of the Underlying Stock over a period longer than one day. This difference may be amplified in a volatile market with a sideways trend, where market movements are not clear in direction, whereby investors may sustain substantial losses;
- (o) the Air Bag Mechanism (as defined below) is triggered only when the Underlying Stock is calculated or traded, which may not be during the trading hours of the Relevant Stock Exchange for the Certificates (as defined below);
- (p) investors should note that the Air Bag Mechanism reduces the impact on the Leverage Inverse Strategy if the Underlying Stock rises further, but will also maintain a reduced exposure to the Underlying Stock in the event the Underlying Stock starts to fall after the Air Bag Mechanism is triggered, thereby reducing its ability to recoup losses;
- (q) there is no assurance that the Air Bag Mechanism will prevent investors from losing the entire value of their investment, in the event of (i) an overnight increase in the Underlying Stock, where there is a 20% or greater gap between the previous day closing price and the opening price of the Underlying Stock the following day, as the Air Bag Mechanism will only be triggered when market opens (including the pre-opening session) the following day or (ii) a sharp intraday

increase in the price of the Underlying Stock of 20% or greater within the 15 minutes Observation Period compared to the reference price, being: (1) if air bag has not been previously triggered on the same day, the previous closing price of the Underlying Stock, or (2) if one or more air bag have been previously triggered on the same day, the latest New Observed Price. Investors may refer to pages 52 to 53 of this document for more information;

- (r) In the case of extreme market conditions or where the Air Bag Mechanisms are triggered simultaneously, trading in the Certificates may be suspended for an extended period, which may be up to an additional 15 minutes, to facilitate the intra-day adjustment under the Air Bag Mechanism;
- (s) certain events may, pursuant to the terms and conditions of the Certificates, trigger (i) the implementation of methods of adjustment or (ii) the early termination of the Certificates. The Issuer will give the investors reasonable notice of any early termination. If the Issuer terminates the Certificates early, then the Issuer will, if and to the extent permitted by applicable law, pay an amount to each Certificate Holder in respect of each Certificate held by such holder equal to the fair market value of the Certificate less the cost to the Issuer of unwinding any underlying related hedging arrangements, all as determined by the Issuer in its sole and absolute discretion. The performance of this commitment shall depend on (i) general market conditions and (ii) the liquidity conditions of the underlying instrument(s) and, as the case may be, of any other hedging transactions. Investors should note that the amount repaid by the Issuer may be less than the amount initially invested. Investors may refer to the Condition 13 on pages 37 to 39 of this document for more information;
- (t) there is no assurance that an active trading market for the Certificates will sustain throughout the life of the Certificates, or if it does sustain, it may be due to market making on the part of the Designated Market Maker. The Issuer acting through its Designated Market Maker may be the only market participant buying and selling the Certificates. Therefore, the secondary market for the Certificates may be limited and you may not be able to realise the value of the Certificates. Do note that the bid-ask spread increases with illiquidity;
- (u) in the ordinary course of their business, including without limitation, in connection with the Issuer or its appointed designated market maker's market making activities, the Issuer, the Guarantor and any of their respective subsidiaries and affiliates may effect transactions for their own account or for the account of their customers and hold long or short positions in the Underlying Stock. In addition, in connection with the offering of any Certificates, the Issuer, the Guarantor and any of their respective subsidiaries and affiliates may enter into one or more hedging transactions with respect to the Underlying Stock. In connection with such hedging or market-making activities or with respect to proprietary or other trading activities by the Issuer, the Guarantor and any of their respective subsidiaries and affiliates, the Issuer, the Guarantor and any of their respective subsidiaries and affiliates may enter into transactions in the Underlying Stock which may affect the market price, liquidity or value of the Certificates and which may affect the interests of Certificate Holders;
- (v) various potential and actual conflicts of interest may arise from the overall activities of the Issuer, the Guarantor and/or any of their subsidiaries and affiliates.

The Issuer, the Guarantor and any of their subsidiaries and affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, hedging transactions and investment and other activities for their own account or the account of others. In addition, the Issuer, the Guarantor and any of their subsidiaries and affiliates, in connection with their other business activities, may possess or acquire material information about the



Underlying Stock. Such activities and information may involve or otherwise affect issuers of the Underlying Stock in a manner that may cause consequences adverse to the Certificate Holders or otherwise create conflicts of interests in connection with the issue of Certificates by the Issuer. Such actions and conflicts may include, without limitation, the exercise of voting power, the purchase and sale of securities, financial advisory relationships and exercise of creditor rights. The Issuer, the Guarantor and any of their subsidiaries and affiliates have no obligation to disclose such information about the Underlying Stock or such activities. The Issuer, the Guarantor and any of their subsidiaries and affiliates and their officers and directors may engage in any such activities without regard to the issue of Certificates by the Issuer or the effect that such activities may directly or indirectly have on any Certificate;

- (w) legal considerations which may restrict the possibility of certain investments:

Some investors' investment activities are subject to specific laws and regulations or laws and regulations currently being considered by various authorities. All potential investors must consult their own legal advisers to check whether and to what extent (i) they can legally purchase the Certificates (ii) the Certificates can be used as collateral security for various forms of borrowing (iii) if other restrictions apply to the purchase of Certificates or their use as collateral security. Financial institutions must consult their legal advisers or regulators to determine the appropriate treatment of the Certificates under any applicable risk-based capital or similar rules;

- (x) the credit rating of the Guarantor is an assessment of its ability to pay obligations, including those on the Certificates. Consequently, actual or anticipated declines in the credit rating of the Guarantor may affect the market value of the Certificates;

- (y) the Certificates are linked to the Underlying Stock and subject to the risk that the price of the Underlying Stock may rise. The following is a list of some of the significant risks associated with the Underlying Stock:

- Historical performance of the Underlying Stock does not give an indication of future performance of the Underlying Stock. It is impossible to predict whether the price of the Underlying Stock will fall or rise over the term of the Certificates; and
- The price of the Underlying Stock may be affected by the economic, financial and political events in one or more jurisdictions, including the stock exchange(s) or quotation system(s) on which the Underlying Stock may be traded;

- (z) the value of the Certificates depends on the Leverage Inverse Strategy performance built in the Certificate. The Calculation Agent will make the Leverage Inverse Strategy last closing level and a calculation tool available to the investors on a website;

- (aa) two or more risk factors may simultaneously have an effect on the value of a Certificate such that the effect of any individual risk factor may not be predicted. No assurance can be given as to the effect any combination of risk factors may have on the value of a Certificate;

- (bb) as the Certificates are represented by a global warrant certificate which will be deposited with The Central Depository (Pte) Limited (“CDP”):

- (i) investors should note that no definitive certificate will be issued in relation to the Certificates;
- (ii) there will be no register of Certificate Holders and each person who is for the time being shown in the records maintained by CDP as entitled to a particular number of Certificates by way of interest (to the extent of such number) in the global warrant

certificate in respect of those Certificates represented thereby shall be treated as the holder of such number of Certificates;

- (iii) investors will need to rely on any statements received from their brokers/custodians as evidence of their interest in the Certificates; and
- (iv) notices to such Certificate Holders will be published on the web-site of the SGX-ST. Investors will need to check the web-site of the SGX-ST regularly and/or rely on their brokers/custodians to obtain such notices;

- (cc) the reform of HIBOR may adversely affect the value of the Certificates

The Hong Kong Inter-bank Offered Rate ("**HIBOR**") benchmark is referenced in the Leverage Inverse Strategy.

It is not possible to predict with certainty whether, and to what extent, HIBOR will continue to be supported going forwards. This may cause HIBOR to perform differently than they have done in the past, and may have other consequences which cannot be predicted. Such factors may have (without limitation) the following effects: (i) discouraging market participants from continuing to administer or contribute to a benchmark; (ii) triggering changes in the rules or methodologies used in the benchmark and/or (iii) leading to the disappearance of the benchmark. Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on the Certificates.

In addition, the occurrence of a modification or cessation of HIBOR may cause adjustment of the Certificates which may include selecting one or more successor benchmarks and making related adjustments to the Certificates, including if applicable to reflect increased costs.

The Calculation Agent may make adjustments as it may determine appropriate if any of the following circumstances occurs or may occur: (1) HIBOR is materially changed or cancelled or (2)(i) the relevant authorisation, registration, recognition, endorsement, equivalence decision or approval in respect of the benchmark or the administrator or sponsor of the benchmark is not obtained, (ii) an application for authorisation, registration, recognition, endorsement, equivalence decision, approval or inclusion in any official register is rejected or (iii) any authorisation, registration, recognition, endorsement, equivalence decision or approval is suspended or inclusion in any official register is withdrawn.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by any of the international or national reforms in making any investment decision with respect to any Certificate;

- (dd) the US Foreign Account Tax Compliance Act ("**FATCA**") withholding risk:

FATCA generally imposes a 30 per cent. withholding tax on certain U.S.-source payments to certain non-US persons that do not provide certification of their compliance with IRS rules to disclose the identity of their US owners and account holders (if any) or establish a basis for exemption for such disclosure. The Issuer or an investor's broker or custodian may be subject to FATCA and, as a result, may be required to obtain certification from investors that they have complied with FATCA disclosure requirements or have established a basis for exemption from FATCA. If an investor does not provide the Issuer or the relevant broker or custodian with such certification, the Issuer and the Guarantor or other withholding agent could be required to withhold U.S. tax on U.S.-source income (if any) paid pursuant to the Certificates. In certain cases, the Issuer or the relevant broker or custodian could be required to close an account of an investor who does not comply with the FATCA certification procedures.

FATCA IS PARTICULARLY COMPLEX. EACH INVESTOR SHOULD CONSULT ITS OWN TAX ADVISER TO OBTAIN A MORE DETAILED EXPLANATION OF FATCA AND TO DETERMINE HOW THIS LEGISLATION MIGHT AFFECT EACH INVESTOR IN ITS PARTICULAR CIRCUMSTANCES;

(ee) U.S. withholding tax

The Issuer has determined that this Certificate is not linked to U.S. Underlying Equities within the meaning of applicable regulations under Section 871(m) of the United States Internal Revenue Code, as discussed in the accompanying Base Listing Document under “TAXATION—TAXATION IN THE UNITED STATES OF AMERICA—Section 871(m) of the U.S. Internal Revenue Code of 1986.” Accordingly, the Issuer expects that Section 871(m) will not apply to the Certificates. Such determination is not binding on the IRS, and the IRS may disagree with this determination. Section 871(m) is complex and its application may depend on a Certificate Holder's particular circumstances. Certificate Holders should consult with their own tax advisers regarding the potential application of Section 871(m) to the Certificates; and

(ff) risk factors relating to the BRRD

*French and Luxembourg law and European legislation regarding the resolution of financial institutions may require the write-down or conversion to equity of the Certificates or other resolution measures if the Issuer or the Guarantor is deemed to meet the conditions for resolution.*

Directive 2014/59/EU of the European Parliament and of the Council of the European Union dated 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms (the “**BRRD**”) entered into force on 2 July 2014. The BRRD, as amended, has been implemented into Luxembourg law by, among others, the Luxembourg act dated 18 December 2015 on the failure of credit institutions and certain investment firms, as amended (the “**BRR Act 2015**”). Under the BRR Act 2015, the competent authority is the Luxembourg financial sector supervisory authority (*Commission de surveillance du secteur financier*, the CSSF) and the resolution authority is the CSSF acting as resolution council (*conseil de résolution*).

In April 2023, the EU Commission released a proposal to amend, in particular, the BRRD according to which senior preferred debt instruments would no longer rank pari passu with any non covered non preferred deposits of the Issuer; instead, senior preferred debt instruments would rank junior in right of payment to the claims of all depositors.

This proposal will be discussed and amended by the European Parliament and the European Council before being final and applicable. If the Commission proposal was adopted as is, there may be an increased risk of an investor in senior preferred debt instruments losing all or some of their investment in the context of the exercise of the Bail-in Power. The proposal may also lead to a rating downgrade for senior preferred debt instruments.

Moreover, Regulation (EU) No. 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism (“**SRM**”) and a Single Resolution Framework (the “**SRM Regulation**”) has established a centralised power of resolution entrusted to a Single Resolution Board (the “**SRB**”) in cooperation with the national resolution authorities.

Since November 2014, the European Central Bank (“**ECB**”) has taken over the prudential supervision of significant credit institutions in the member states of the Eurozone under the

Single Supervisory Mechanism (“**SSM**”). In addition, the SRM has been put in place to ensure that the resolution of credit institutions and certain investment firms across the Eurozone is harmonised. As mentioned above, the SRM is managed by the SRB. Under Article 5(1) of the SRM Regulation, the SRM has been granted those responsibilities and powers granted to the EU Member States’ resolution authorities under the BRRD for those credit institutions and certain investment firms subject to direct supervision by the ECB. The ability of the SRB to exercise these powers came into force at the beginning of 2016.

Societe Generale has been, and continues to be, designated as a significant supervised entity for the purposes of Article 49(1) of Regulation (EU) No 468/2014 of the ECB of 16 April 2014 establishing the framework for cooperation within the SSM between the ECB and national competent authorities and with national designated authorities (the “**SSM Regulation**”) and is consequently subject to the direct supervision of the ECB in the context of the SSM. This means that Societe Generale and SG Issuer (being covered by the consolidated prudential supervision of Societe Generale) are also subject to the SRM which came into force in 2015. The SRM Regulation mirrors the BRRD and, to a large part, refers to the BRRD so that the SRB is able to apply the same powers that would otherwise be available to the relevant national resolution authority.

The stated aim of the BRRD and the SRM Regulation is to provide for the establishment of an EU-wide framework for the recovery and resolution of credit institutions and certain investment firms. The regime provided for by the BRRD is, among other things, stated to be needed to provide the resolution authority designated by each EU Member State (the “**Resolution Authority**”) with a credible set of tools to intervene sufficiently early and quickly in an unsound or failing institution so as to ensure the continuity of the institution’s critical financial and economic functions while minimising the impact of an institution’s failure on the economy and financial system (including taxpayers’ exposure to losses).

In accordance with the provisions of the SRM Regulation, when applicable, the SRB, has replaced the national resolution authorities designated under the BRRD with respect to all aspects relating to the decision-making process and the national resolution authorities designated under the BRRD continue to carry out activities relating to the implementation of resolution schemes adopted by the SRB. The provisions relating to the cooperation between the SRB and the national resolution authorities for the preparation of the institutions’ resolution plans have applied since 1 January 2015 and the SRM has been fully operational since 1 January 2016.

The SRB is the Resolution Authority for the Issuer and the Guarantor.

The powers provided to the Resolution Authority in the BRRD and the SRM Regulation include write-down/conversion powers to ensure that capital instruments (including subordinated debt instruments) and eligible liabilities (including senior debt instruments if junior instruments prove insufficient to absorb all losses) absorb losses of the issuing institution that is subject to resolution in accordance with a set order of priority (the “**Bail-in Power**”). The conditions for resolution under the SRM Regulation are deemed to be met when: (i) the Resolution Authority determines that the institution is failing or is likely to fail, (ii) there is no reasonable prospect that any measure other than a resolution measure would prevent the failure within a reasonable timeframe, and (iii) a resolution measure is necessary for the achievement of the resolution objectives (in particular, ensuring the continuity of critical functions, avoiding a significant adverse effect on the financial system, protecting public funds by minimizing reliance on extraordinary public financial support, and protecting client funds and assets) and winding up of the institution under normal insolvency proceedings would not meet those resolution objectives to the same extent.

The Resolution Authority could also, independently of a resolution measure or in combination with a resolution measure, fully or partially write-down or convert capital instruments (including subordinated debt instruments) into equity when it determines that the institution or its group will no longer be viable unless such write-down or conversion power is exercised or when the institution requires extraordinary public financial support (except when extraordinary public financial support is provided in Article 10 of the SRM Regulation). The terms and conditions of the Certificates contain provisions giving effect to the Bail-in Power in the context of resolution and write-down or conversion of capital instruments at the point of non-viability.

The Bail-in Power could result in the full (i.e., to zero) or partial write-down or conversion of the Certificates into ordinary shares or other instruments of ownership, or the variation of the terms of the Certificates (for example, the maturity and/or interest payable may be altered and/or a temporary suspension of payments may be ordered). Extraordinary public financial support should only be used as a last resort after having assessed and applied, to the maximum extent practicable, the resolution measures. No support will be available until a minimum amount of contribution to loss absorption and recapitalization of 8% of total liabilities including own funds has been made by shareholders, holders of capital instruments and other eligible liabilities through write-down, conversion or otherwise.

In addition to the Bail-in Power, the BRRD provides the Resolution Authority with broader powers to implement other resolution measures with respect to institutions that meet the conditions for resolution, which may include (without limitation) the sale of the institution's business, the creation of a bridge institution, the separation of assets, the replacement or substitution of the institution as obligor in respect of debt instruments, modifications to the terms of debt instruments (including altering the maturity and/or the amount of interest payable and/or imposing a temporary suspension on payments), removing management, appointing an interim administrator, and discontinuing the listing and admission to trading of financial instruments.

Before taking a resolution measure, including implementing the Bail-in Power, or exercising the power to write down or convert relevant capital instruments, the Resolution Authority must ensure that a fair, prudent and realistic valuation of the assets and liabilities of the institution is carried out by a person independent from any public authority.

The BRRD, the BRR Act 2015 and the SRM Regulation however also state that, under exceptional circumstances, if the bail-in instrument is applied, the SRB, in cooperation with the CSSF, may completely or partially exclude certain liabilities from the application of the impairment or conversion powers under certain conditions.

Since 1 January 2016, EU credit institutions (such as Societe Generale) and certain investment firms have to meet, at all times, a minimum requirement for own funds and eligible liabilities ("**MREL**") pursuant to Article 12 of the SRM Regulation. The MREL, which is expressed as a percentage of the total liabilities and own funds of the institution, aims at preventing institutions from structuring their liabilities in a manner that impedes the effectiveness of the Bail-in Power in order to facilitate resolution.

The regime has evolved as a result of the changes adopted by the EU legislators. On 7 June 2019, as part of the contemplated amendments to the so-called "EU Banking Package", the following legislative texts were published in the Official Journal of the EU 14 May 2019:

- Directive (EU) 2019/879 of the European Parliament and of the Council of 20 May 2019 amending the BRRD as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms ("**BRRD II**"); and

- Regulation (EU) 2019/877 of the European Parliament and of the Council of 20 May 2019 amending the SRM Regulation as regards the loss-absorbing and recapitalisation capacity (“**TLAC**”) of credit institutions and investment firms (the “**SRM II Regulation**” and, together with the BRRD II, the “**EU Banking Package Reforms**”).

The EU Banking Package Reforms introduced, among other things, the TLAC standard as implemented by the Financial Stability Board's TLAC Term Sheet (“**FSB TLAC Term Sheet**”), by adapting, among other things, the existing regime relating to the specific MREL with aim of reducing risks in the banking sector and further reinforcing institutions’ ability to withstand potential shocks will strengthen the banking union and reduce risks in the financial system.

The TLAC has been implemented in accordance with the FSB TLAC Term Sheet, which impose a level of “Minimum TLAC” that will be determined individually for each global systemically important bank (“**G-SIB**”), such as Societe Generale, in an amount at least equal to (i) 16%, plus applicable buffers, of risk weight assets since January 1, 2022 and 18%, plus applicable buffers, thereafter and (ii) 6% of the Basel III leverage ratio denominator since January 1, 2022 and 6.75% thereafter (each of which could be extended by additional firm-specific requirements).

Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms (the “**CRR**”), as amended by Regulation (EU) 2019/876 as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements (the “**CRR II**”), EU G-SIBs, such as Societe Generale, have to comply with TLAC requirements, on top of the MREL requirements, since the entry into force of the CRR II. As such, G-SIBs, such as Societe Generale have to comply with both the TLAC and MREL requirements.

Consequently, the criteria for MREL-eligible liabilities have been closely aligned with the criteria for TLAC-eligible liabilities under CRR II, but subject to the complementary adjustments and requirements introduced in the BRRD II. In particular, certain debt instruments with an embedded derivative component, such as certain structured notes, will be eligible, subject to certain conditions, to meet MREL requirements to the extent that they have a fixed or increasing principal amount repayable at maturity that is known in advance with only an additional return permitted to be linked to that derivative component and dependent on the performance of a reference asset.

The level of capital and eligible liabilities required under MREL is set by the SRB for Societe Generale on an individual and/or consolidated basis based on certain criteria including systemic importance and may also be set for SG Issuer. Eligible liabilities may be senior or subordinated, provided, among other requirements, that they have a remaining term of at least one year and, they recognise contractually the Resolution Authority's power to write down or convert the liabilities governed by non-EU law.

The scope of liabilities used to meet MREL includes, in principle, all liabilities resulting from claims arising from ordinary unsecured creditors (non-subordinated liabilities) unless they do not meet specific eligibility criteria set out in BRRD, as amended by BRRD II. To enhance the resolvability of institutions and entities through an effective use of the bail-in tool, the SRB should be able to require that MREL be met with own funds and other subordinated liabilities, in particular where there are clear indications that bailed-in creditors are likely to bear losses in resolution that would exceed the losses that they would incur under normal insolvency proceedings. Moreover the SRB should assess the need to require institutions and entities to

meet the MREL with own funds and other subordinated liabilities where the amount of liabilities excluded from the application of the bail-in tool reaches a certain threshold within a class of liabilities that includes MREL-eligible liabilities. Any subordination of debt instruments requested by the SRB for the MREL shall be without prejudice to the possibility to partly meet the TLAC requirements with non-subordinated debt instruments in accordance with the CRR, as amended by the CRR II, as permitted by the TLAC standard. Specific requirements apply to resolution groups with assets above EUR 100 billion (top-tier banks, including Societe Generale).

## TERMS AND CONDITIONS OF THE CERTIFICATES

*The following are the terms and conditions of the Certificates and should be read in conjunction with, and are qualified by reference to, the other information set out in this document and the Base Listing Document.*

The Conditions are set out in the section headed “Terms and Conditions of the European Style Cash Settled Long/Short Certificates on Single Equities” in the Base Listing Document. For the purposes of the Conditions, the following terms shall have the following meanings:

Certificates:	20,000,000 European Style Cash Settled Short Certificates relating to the ordinary shares of WuXi Biologics (Cayman) Inc. traded in HKD (the “ <b>Underlying Stock</b> ”)
ISIN:	LU2375059305
Company:	WuXi Biologics (Cayman) Inc. (RIC: 2269.HK)
Underlying Price <sup>3</sup> and Source:	HK\$38.00 (Reuters)
Calculation Agent:	Société Générale
Strike Level:	Zero
Daily Leverage:	-5x (within the Leverage Inverse Strategy as described below)
Notional Amount per Certificate:	SGD 0.50
Management Fee (p.a.) <sup>4</sup> :	0.40%
Gap Premium (p.a.) <sup>5</sup> :	8.00%, is a hedging cost against extreme market movements overnight.
Stock Borrowing Cost <sup>6</sup> :	The annualised costs for borrowing stocks in order to take an inverse exposure on the Underlying Stock.
Rebalancing Cost <sup>6</sup> :	The transaction costs (if applicable), computed as a function of leverage and daily inverse performance of the Underlying Stock.
Launch Date:	4 July 2023
Closing Date:	10 July 2023

<sup>3</sup> These figures are calculated as at, and based on information available to the Issuer on or about 10 July 2023. The Issuer is not obliged, and undertakes no responsibility to any person, to update or inform any person of any changes to the figures after 10 July 2023.

<sup>4</sup> Please note that the Management Fee is calculated on a 360-day basis and may be increased up to a maximum of 3% p.a. on giving one month's notice to investors. Any increase in the Management Fee will be announced on the SGXNET. Please refer to “Fees and Charges” below for further details of the fees and charges payable and the maximum of such fees as well as other ongoing expenses that may be borne by the Certificates.

<sup>5</sup> Please note that the Gap Premium is calculated on a 360-day basis.

<sup>6</sup> These costs are embedded within the Leverage Inverse Strategy. Please note that the Stock Borrowing Cost may be changed on giving 5 Business Days' notice to investors. Any change in the Stock Borrowing Cost will be announced on the SGXNET.



Expected Listing Date:	11 July 2023
Last Trading Date:	The date falling 5 Business Days immediately preceding the Expiry Date, currently being 2 July 2024
Expiry Date:	9 July 2024 (if the Expiry Date is not a Business Day, then the Expiry Date shall fall on the preceding Business Day and subject to adjustment of the Valuation Date upon the occurrence of Market Disruption Events as set out in the Conditions of the Certificates)
Board Lot:	100 Certificates
Valuation Date:	8 July 2024 or if such day is not an Exchange Business Day, the immediately preceding Exchange Business Day.
Exercise:	<p>The Certificates may only be exercised on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, in a Board Lot or integral multiples thereof. Certificate Holders shall not be required to deliver an exercise notice. Exercise of Certificates shall be determined by whether the Cash Settlement Amount (less any Exercise Expenses) is positive. If the Cash Settlement Amount (less any Exercise Expenses) is positive, all Certificates shall be deemed to have been automatically exercised at 10:00 a.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day. The Cash Settlement Amount less the Exercise Expenses in respect of the Certificates shall be paid in the manner set out in Condition 4(c) of the Conditions. In the event the Cash Settlement Amount (less any Exercise Expenses) is zero, all Certificates shall be deemed to have expired at 10:00 a.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, and Certificate Holders shall not be entitled to receive any payment from the Issuer in respect of the Certificates.</p>
Cash Settlement Amount:	<p>In respect of each Certificate, shall be an amount payable in the Settlement Currency equal to:</p> <p>Closing Level multiplied by the Notional Amount per Certificate</p> <p>Please refer to the “Information relating to the European Style Cash Settled Short Certificates on Single Equities” section on pages 43 to 58 of this document for examples and illustrations of the calculation of the Cash Settlement Amount.</p>
Hedging Fee Factor:	<p>In respect of each Certificate, shall be an amount calculated as: Product (for <math>t</math> from 2 to Valuation Date) of <math>(1 - \text{Management Fee} \times (\text{ACT}(t-1;t) \div 360)) \times (1 - \text{Gap Premium}(t-1) \times (\text{ACT}(t-1;t) \div 360))</math>, where:</p> <p>“<math>t</math>” refers to “<b>Observation Date</b>” which means each Underlying Stock Business Day (subject to Market Disruption Event) from (and including) the Underlying Stock Business Day immediately preceding the Expected Listing Date to the Valuation Date; and</p>

ACT (t-1;t) means the number of calendar days between the Underlying Stock Business Day immediately preceding the Observation Date (which is “t-1”) (included) and the Observation Date (which is “t”) (excluded).

If the Issuer determines, in its sole discretion, that on any Observation Date a Market Disruption Event has occurred, then that Observation Date shall be postponed until the first succeeding Underlying Stock Business Day on which there is no Market Disruption Event, unless there is a Market Disruption Event on each of the five Underlying Stock Business Days immediately following the original date that, but for the Market Disruption Event, would have been an Observation Date. In that case, that fifth Underlying Stock Business Day shall be deemed to be the Observation Date notwithstanding the Market Disruption Event and the Issuer shall determine, its good faith estimate of the level of the Leverage Inverse Strategy and the value of the Certificate on that fifth Underlying Stock Business Day in accordance with the formula for and method of calculation last in effect prior to the occurrence of the first Market Disruption Event taking into account, inter alia, the exchange traded or quoted price of the Underlying Stock and the potential increased cost of hedging by the Issuer as a result of the occurrence of the Market Disruption Event.

An “**Underlying Stock Business Day**” is a day on which The Stock Exchange of Hong Kong Limited (the “**HKEX**”) is open for dealings in Hong Kong during its normal trading hours and banks are open for business in Hong Kong.

Please refer to the “Information relating to the European Style Cash Settled Short Certificates on Single Equities” section on pages 43 to 58 of this document for examples and illustrations of the calculation of the Hedging Fee Factor.

Closing Level: In respect of each Certificate, shall be an amount payable in the Settlement Currency equal to:

$$\left( \frac{\text{Final Reference Level} \times \text{Final Exchange Rate}}{\text{Initial Reference Level} \times \text{Initial Exchange Rate}} - \text{Strike Level} \right) \times \text{Hedging Fee Factor}$$

Initial Reference Level: 1,000

Final Reference Level: The closing level of the Leverage Inverse Strategy (as described below) on the Valuation Date

The calculation of the closing level of the Leverage Inverse Strategy is set out in the “Specific Definitions relating to the Leverage Inverse Strategy” section on pages 20 to 25 below.

Initial Exchange Rate<sup>3</sup>: 0.1722

Final Exchange Rate: The rate for the conversion of HKD to SGD as at 5:00pm (Singapore Time) on the Valuation Date as shown on Reuters, provided that if the Reuters service ceases to display such information, as determined by the Issuer by reference to such source(s) as the Issuer may reasonably determine to be appropriate at such a time.

Air Bag Mechanism:

The “**Air Bag Mechanism**” refers to the mechanism built in the Leverage Inverse Strategy and which is designed to reduce the Leverage Inverse Strategy exposure to the Underlying Stock during extreme market conditions. If the Underlying Stock rises by 15% or more (“**Air Bag Trigger Price**”) during the trading day (which represents an approximately 75% loss after a 5 times inverse leverage), the Air Bag Mechanism is triggered and the Leverage Inverse Strategy is adjusted intra-day. The Air Bag Mechanism reduces the impact on the Leverage Inverse Strategy if the Underlying Stock rises further, but will also maintain a reduced exposure to the Underlying Stock in the event the Underlying Stock starts to fall after the Air Bag Mechanism is triggered, thereby reducing its ability to recoup losses.

Trading of Certificates is suspended for at least 30 minutes after the Air Bag is triggered.

The Leverage Inverse Strategy is floored at 0 and the Certificates cannot be valued below zero.

Please refer to the “Extraordinary Strategy Adjustment for Performance Reasons (“Air Bag Mechanism”)” section on pages 23 to 25 below and the “Description of Air Bag Mechanism” section on pages 49 to 51 of this document for further information of the Air Bag Mechanism.

Adjustments and Extraordinary Events:

The Issuer has the right to make adjustments to the terms of the Certificates if certain events, including any capitalisation issue, rights issue, extraordinary distributions, merger, delisting, insolvency (as more specifically set out in the terms and conditions of the Certificates) occur in respect of the Underlying Stock. For the avoidance of doubt, no notice will be given if the Issuer determines that adjustments will not be made.

Underlying Stock Currency:

Hong Kong Dollar (“**HKD**”)

Settlement Currency:

Singapore Dollar (“**SGD**”)

Exercise Expenses:

Certificate Holders will be required to pay all charges which are incurred in respect of the exercise of the Certificates.

Relevant Stock Exchange for the Certificates:

The Singapore Exchange Securities Trading Limited (the “**SGX-ST**”)

Relevant Stock Exchange for the Underlying Stock:

HKEX

Business Day, Settlement Business Day and Exchange Business Day:

A “**Business Day**” or a “**Settlement Business Day**” is a day on which the SGX-ST is open for dealings in Singapore during its normal trading hours and banks are open for business in Singapore.

An “**Exchange Business Day**” is a day on which the SGX-ST and the HKEX are open for dealings in Singapore and Hong Kong respectively

during its normal trading hours and banks are open for business in Singapore and Hong Kong.

Warrant Agent:	The Central Depository (Pte) Limited (“CDP”)
Clearing System:	CDP
Fees and Charges:	<p>Normal transaction and brokerage fees shall apply to the trading of the Certificates on the SGX-ST. Investors should note that they may be required to pay stamp taxes or other documentary charges in accordance with the laws and practices of the country where the Certificates are transferred. Investors who are in any doubt as to their tax position should consult their own independent tax advisers. In addition, investors should be aware that tax regulations and their application by the relevant taxation authorities change from time to time. Accordingly, it is not possible to predict the precise tax treatment which will apply at any given time.</p> <p>Investors holding position overnight would also be required to bear the Management Fee and Gap Premium, which are calculated daily and applied to the value of the Certificates, as well as certain costs embedded within the Leverage Inverse Strategy including the Stock Borrowing Cost and Rebalancing Cost. The Management Fee may be increased up to a maximum of 3% p.a. on giving one month’s notice to investors in accordance with the terms and conditions of the Certificates. Any increase in the Management Fee will be announced on the SGXNET.</p>
Further Information:	Please refer to the website at <a href="http://dlc.socgen.com">dlc.socgen.com</a> for more information on the theoretical closing price of the Certificates on the previous trading day, the closing price of the Underlying Stock on the previous trading day, the Air Bag Trigger Price for each trading day and the Management Fee and Gap Premium.

### **Specific Definitions relating to the Leverage Inverse Strategy**

#### **Description of the Leverage Inverse Strategy**

The Leverage Inverse Strategy is designed to track a 5 times daily leveraged inverse exposure to the Underlying Stock.

At the end of each trading day of the Underlying Stock, the exposure of the Leverage Inverse Strategy to the Underlying Stock is reset within the Leverage Inverse Strategy in order to retain a daily leverage of 5 times the inverse performance of the Underlying Stock (excluding costs) regardless of the performance of the Underlying Stock on the preceding day. This mechanism is referred to as the Daily Reset.

The Leverage Inverse Strategy incorporates an air bag mechanism which is designed to reduce exposure to the Underlying Stock during extreme market conditions, as further described below.

### **Leverage Inverse Strategy Formula**

**LSL<sub>t</sub>** means, for any Observation Date(t), the Leverage Inverse Strategy Closing Level as of such day (t).

Subject to the occurrence of an Intraday Restrike Event, the **Leverage Inverse Strategy Closing Level** as of such Observation Date(t) is calculated in accordance with the following formulae:

On Observation Date(1):

$$LSL_1 = 1000$$

On each subsequent Observation Date(t):

$$LSL_t = \text{Max}[LSL_{t-1} \times (1 + LR_{t-1,t} - FC_{t-1,t} - SB_{t-1,t} - RC_{t-1,t}), 0]$$

**LR<sub>t-1,t</sub>** means the Leveraged Return of the Underlying Stock between Observation Date(t-1) and Observation Date(t) closing prices, calculated as follows:

$$LR_{t-1,t} = \text{Leverage} \times \left( \frac{S_t}{S_{t-1} \times R_{factor_t}} - 1 \right)$$

**FC<sub>t-1,t</sub>** means, the Funding Cost between Observation Date(t-1) (included) and Observation Date(t) (excluded) calculated as follows:

$$FC_{t-1,t} = (\text{Leverage} - 1) \times \frac{\text{Rate}_{t-1} \times \text{ACT}(t-1, t)}{\text{DayCountBasisRate}}$$

**SB<sub>t-1,t</sub>** means the Stock Borrowing Cost between Observation Date(t-1) (included) and Observation Date(t) (excluded) calculated as follows:

$$SB_{t-1,t} = -\text{Leverage} \times \frac{\text{CB} \times \text{ACT}(t-1, t)}{\text{DayCountBasisRate}}$$

**CB** means the Cost of Borrowing applicable that is equal to 3.00%.

**RC<sub>t-1,t</sub>** means the Rebalancing Cost of the Leverage Inverse Strategy on Observation Date (t), calculated as follows:

$$RC_{t-1,t} = \text{Leverage} \times (\text{Leverage} - 1) \times \left( \left| \frac{S_t}{S_{t-1} \times R_{factor_t}} - 1 \right| \right) \times \text{TC}$$

**TC** means the Transaction Costs applicable (including Stamp Duty and any other applicable taxes, levies and costs which may be levied on the stock transactions on the Relevant Stock Exchange for the Underlying Stock by the applicable regulatory authorities from time to time) that are currently equal to:

0.13%

“Stamp Duty” refers to the applicable rate of stamp duty on the stock transactions in the jurisdiction of the Relevant Stock Exchange for the Underlying Stock, which may be changed by the applicable regulatory authorities from time to time.

**Leverage** -5

<b>S<sub>t</sub></b>	means, in respect of each Observation Date(t), the Closing Price of the Underlying Stock as of such Observation Date(t), subject to the adjustments and provisions of the Conditions.
<b>Rate<sub>t</sub></b>	means, in respect of each Observation Date(t), the Overnight HKD Hong Kong Interbank Offered Rate (HIBOR) Fixing, as published on Reuters RIC HIBKDON= or any successor page, being the rate as of day (t), provided that if any of such rate is not available, then that rate shall be determined by reference to the latest available rate that was published on the relevant Reuters page. Upon the occurrence or likely occurrence, as determined by the Calculation Agent, of modification, the permanent or indefinite cancellation or cessation in the provision of HIBOR, or a regulator or other official sector entity prohibits the use of HIBOR, the Calculation Agent may make adjustments as it may determine appropriate to account for the relevant event or circumstance, including but not limited to using any alternative rates from such date, with or without retroactive effect as the Calculation Agent may in its sole and absolute discretion determine.
<b>Rfactor<sub>t</sub></b>	<p>means, in the event Observation Date (t) is an ex-dividend date of the Underlying Stock, an amount determined by the Calculation Agent, subject to the adjustments and provisions of the Conditions, according to the following formula:</p> $Rfactor_t = 1 - \frac{Div_t}{S_{t-1}}$ <p>where</p> <p><i>Div<sub>t</sub></i> is the dividend to be paid out in respect of the Underlying Stock and the relevant ex-dividend date which shall be considered gross of any applicable withholding taxes.</p>
<b>ACT(t-1,t)</b>	ACT (t-1;t) means the number of calendar days between the Underlying Stock Business Day immediately preceding the Observation Date (which is "t-1") (included) and the Observation Date (which is "t") (excluded).
<b>DayCountBasis</b>	365
<b>Rate</b>	
<b>Benchmark Fallback</b>	upon the occurrence or likely occurrence, as determined by the Calculation Agent, of a Reference Rate Event, the Calculation Agent may make adjustments as it may determine appropriate to account for the relevant event or circumstance, including but not limited to using any alternative rates from such date, with or without retroactive effect as the Calculation Agent may in its sole and absolute discretion determine.
<b>Reference Rate Event</b>	<p>means, in respect of the Reference Rate any of the following has occurred or will occur:</p> <p>(i) a Reference Rate Cessation;</p> <p>(ii) an Administrator/Benchmark Event; or</p> <p>(iii) a Reference Rate is, with respect to over-the-counter derivatives transactions which reference such Reference Rate, the subject of any market-wide development formally agreed upon by the International Swaps and Derivative Association (ISDA) or the Asia Securities Industry &amp; Financial Markets Association (ASIFMA), pursuant to which such Reference Rate is, on a specified date, replaced with a risk-free rate (or near risk-free rate) established in order to comply with the</p>

recommendations in the Financial Stability Board's paper titled "Reforming Major Interest Rate Benchmarks" dated 22 July 2014.

**Reference Rate Cessation**

means, for a Reference Rate, the occurrence of one or more of the following events:

(i) a public statement or publication of information by or on behalf of the administrator of the Reference Rate announcing that it has ceased or will cease to provide the Reference Rate permanently or indefinitely, provided that, at the time of the statement or publication, there is no successor administrator that will continue to provide the Reference Rate;

(ii) a public statement or publication of information by the regulatory supervisor for the administrator of the Reference Rate, the central bank for the currency of the Reference Rate, an insolvency official with jurisdiction over the administrator for the Reference Rate, a resolution authority with jurisdiction over the administrator for the Reference Rate or a court or an entity with similar insolvency or resolution authority over the administrator for the Reference Rate, which states that the administrator of the Reference Rate has ceased or will cease to provide the Reference Rate permanently or indefinitely, provided that, at the time of the statement or publication, there is no successor administrator that will continue to provide the Reference Rate; or

(iii) in respect of a Reference Rate, a public statement or publication of information by the regulatory supervisor for the administrator of such Reference Rate announcing that (a) the regulatory supervisor has determined that such Reference Rate is no longer, or as of a specified future date will no longer be, representative of the underlying market and economic reality that such Reference Rate is intended to measure and that representativeness will not be restored and (b) it is being made in the awareness that the statement or publication will engage certain contractual triggers for fallbacks activated by pre-cessation announcements by such supervisor (howsoever described) in contracts;

**Administrator/ Benchmark Event**

means, for a Reference Rate, any authorisation, registration, recognition, endorsement, equivalence decision, approval or inclusion in any official register in respect of the Reference Rate or the administrator or sponsor of the Benchmark has not been, or will not be, obtained or has been, or will be, rejected, refused, suspended or withdrawn by the relevant competent authority or other relevant official body, in each case with the effect that either the Issuer, the Calculation Agent or any other entity is not, or will not be, permitted under any applicable law or regulation to use the Reference Rate to perform its or their respective obligations under the Certificates.

**Reference Rate(s)**

means the rate(s) used in the Leverage Inverse Strategy Formula, for example SORA, SOFR and US Federal Funds Effective Rate.

**Extraordinary Strategy Adjustment for Performance Reasons ("Air Bag Mechanism")**

**Extraordinary Strategy Adjustment for Performance Reasons**

If the Calculation Agent determines that an Intraday Restrike Event has occurred during an Observation Date(t) (the **Intraday Restrike Date**, noted hereafter **IRD**), an adjustment (an **Extraordinary Strategy Adjustment for Performance Reasons**) shall take place during such Observation Date(t) in accordance with the following provisions.

(1) Provided the last Intraday Restrike Observation Period as of such Intraday Restrike Date does not end on the TimeReferenceClosing, the Leverage Inverse

Strategy Closing Level on the Intraday Restrike Date ( $LSL_{IRD}$ ) should be computed as follows :

$$LSL_{IRD} = \text{Max}[ILSL_{IR(n)} \times (1 + ILR_{IR(n),IR(C)} - IRC_{IR(n),IR(C)}), 0]$$

(2) If the last Intraday Restrike Event Observation Period on the relevant Intraday Restrike Date ends on the TimeReferenceClosing:

$$LSL_{IRD} = \text{Max}[ILSL_{IR(n)}, 0]$$

**$ILSL_{IR(k)}$**

means, in respect of  $IR(k)$ , the Intraday Leverage Inverse Strategy Level in accordance with the following provisions:

(1) for  $k = 1$  :

$$ILSL_{IR(1)} = \text{Max}[LSL_{IRD-1} \times (1 + ILR_{IR(0),IR(1)} - FC_{IRD-1,IRD} - SB_{IRD-1,IRD} - IRC_{IR(0),IR(1)}), 0]$$

(2) for  $k > 1$  :

$$ILSL_{IR(k)} = \text{Max}[ILSL_{IR(k-1)} \times (1 + ILR_{IR(k-1),IR(k)} - IRC_{IR(k-1),IR(k)}), 0]$$

**$ILR_{IR(k-1),IR(k)}$**

means the Intraday Leveraged Return between  $IR(k-1)$  and  $IR(k)$ , calculated as follows:

$$ILR_{IR(k-1),IR(k)} = \text{Leverage} \times \left( \frac{IS_{IR(k)}}{IS_{IR(k-1)}} - 1 \right)$$

**$IRC_{IR(k-1),IR(k)}$**

means the Intraday Rebalancing Cost of the Leverage Inverse Strategy in respect of  $IR(k)$  on a given Intraday Restrike Date, calculated as follows:

$$IRC_{IR(k-1),IR(k)} = \text{Leverage} \times (\text{Leverage} - 1) \times \left( \left| \frac{IS_{IR(k)}}{IS_{IR(k-1)}} - 1 \right| \right) \times TC$$

**$IS_{IR(k)}$**

means the Underlying Stock Price in respect of  $IR(k)$  computed as follows:

(1) for  $k=0$

$$IS_{IR(0)} = S_{IRD-1} \times Rfactor_{IRD}$$

(2) for  $k=1$  to  $n$

means in respect of  $IR(k)$ , the highest price of the Underlying Stock during the respective Intraday Restrike Observation Period

(3) with respect to  $IR(C)$

$$IS_{IR(C)} = S_{IRD}$$

In each case, subject to the adjustments and provisions of the Conditions.

**$IR(k)$**

For  $k=0$ , means the scheduled close for the Relevant Stock Exchange for the Underlying Stock (or any successor thereto) on the Observation Date immediately preceding the relevant Intraday Restrike Date;

For  $k=1$  to  $n$ , means the  $k^{\text{th}}$  Intraday Restrike Event on the relevant Intraday Restrike Date.

**$IR(C)$**

means the scheduled close for the Relevant Stock Exchange for the Underlying Stock (or any successor thereto) on the relevant Intraday Restrike Date.



<b>n</b>	means the number of Intraday Restrike Events that occurred on the relevant Intraday Restrike Date.
<b>Intraday Restrike Event</b>	<p>means in respect of an Observation Date(t):</p> <p>(1) provided no Intraday Restrike Event has previously occurred on such Observation Date (t), the increase at any Calculation Time of the Underlying Stock price by 15% or more compared with the relevant Underlying Stock Price <math>IS_{IR(0)}</math> as of such Calculation Time.</p> <p>(2) if k Intraday Restrike Events have occurred on the relevant Intraday Restrike Date, the increase at any Calculation Time of the Underlying Stock price by 15% or more compared with the relevant Underlying Stock Price <math>IS_{IR(k)}</math> as of such Calculation Time.</p>
<b>Calculation Time</b>	means any time between the TimeReferenceOpening and the TimeReferenceClosing, provided that the relevant data is available to enable the Calculation Agent to determine the Leverage Inverse Strategy Level.
<b>TimeReferenceOpening</b>	means the scheduled opening time (including pre-opening session) for the Relevant Stock Exchange for the Underlying Stock (or any successor thereto).
<b>TimeReferenceClosing</b>	means the scheduled closing time (including closing auction session) for the Relevant Stock Exchange for the Underlying Stock (or any successor thereto).
<b>Intraday Restrike Event Observation Period</b>	<p>means in respect of an Intraday Restrike Event, the period starting on and excluding the Intraday Restrike Event Time and finishing on and including the sooner between (1) the time falling 15 minutes after the Intraday Restrike Event Time and (2) the TimeReferenceClosing.</p> <p>Where, during such period, the Calculation Agent determines that (1) the trading in the Underlying Stock is disrupted or subject to suspension or limitation or (2) the Relevant Stock Exchange for the Underlying Stock is not open for continuous trading, the Intraday Restrike Event Observation Period will be extended to the extent necessary until (1) the trading in the Underlying Stock is no longer disrupted, suspended or limited and (2) the Relevant Stock Exchange for the Underlying Stock is open for continuous trading.</p>
<b>Intraday Restrike Event Time</b>	means in respect of an Intraday Restrike Event, the Calculation Time on which such event occurs.

*The Conditions set out in the section headed “Terms and Conditions of the European Style Cash Settled Long/Short Certificates on Single Equities” in the Base Listing Document are set out below. This section is qualified in its entirety by reference to the detailed information appearing elsewhere in this document which shall, to the extent so specified or to the extent inconsistent with the relevant Conditions set out below, replace or modify the relevant Conditions for the purpose of the Certificates.*

## **TERMS AND CONDITIONS OF THE EUROPEAN STYLE CASH SETTLED LONG/SHORT CERTIFICATES ON SINGLE EQUITIES**

### **1. Form, Status and Guarantee, Transfer and Title**

- (a) *Form.* The Certificates (which expression shall, unless the context otherwise requires, include any further certificates issued pursuant to Condition 11) are issued subject to and with the benefit of:-
- (i) a master instrument by way of deed poll (the “**Master Instrument**”) dated 16 June 2023, made by SG Issuer (the “**Issuer**”) and Société Générale (the “**Guarantor**”); and
  - (ii) a warrant agent agreement (the “**Master Warrant Agent Agreement**” or “**Warrant Agent Agreement**”) dated any time before or on the Closing Date, made between the Issuer and the Warrant Agent for the Certificates.

Copies of the Master Instrument and the Master Warrant Agent Agreement or Warrant Agent Agreement are available for inspection at the specified office of the Warrant Agent.

The holders of the Certificates (the “**Certificate Holders**”) are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Master Instrument and the Master Warrant Agent Agreement or Warrant Agent Agreement.

- (b) *Status and Guarantee.* The Certificates constitute direct, general and unsecured obligations of the Issuer and rank, and will rank, equally among themselves and *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer (save for statutorily preferred exceptions). The Certificates provide for cash settlement on exercise. The Certificates do not entitle Certificate Holders to the delivery of any Underlying Stock, are not secured by the Underlying Stock and do not entitle Certificate Holders to any interest in any Underlying Stock.

The due and punctual payment of any amounts due by the Issuer in respect of the Certificates issued by the Issuer is unconditionally and irrevocably guaranteed by the Guarantor as provided in the Guarantee (each such amount payable under the Guarantee, a “**Guarantee Obligation**”).

The Guarantee Obligations will constitute direct, unconditional, unsecured and unsubordinated obligations of the Guarantor ranking as senior preferred obligations as provided for in Article L. 613-30-3 I 3° of the French Code *Monétaire et Financier* (the “**Code**”).

Such Guarantee Obligations rank and will rank equally and rateably without any preference or priority among themselves and:

- (i) *pari passu* with all other direct, unconditional, unsecured and unsubordinated obligations of the Guarantor outstanding as of the date of the entry into force of the law no. 2016-1691 (the “**Law**”) on 11 December 2016;
- (ii) *pari passu* with all other present or future direct, unconditional, unsecured and senior preferred obligations (as provided for in Article L. 613-30-3 I 3° of the Code) of the Guarantor issued after the date of the entry into force of the Law on 11 December 2016;
- (iii) junior to all present or future claims of the Guarantor benefiting from the statutorily preferred exceptions; and
- (iv) senior to all present and future senior non-preferred obligations (as provided for in Article L.613-30-3 I 4° of the Code) of the Guarantor.

In the event of the failure of the Issuer to promptly perform its obligations to any Certificate Holder under the terms of the Certificates, such Certificate Holder may, but is not obliged to, give written notice to the Guarantor at Société Générale, Tour Société Générale, 75886 Paris Cedex 18, France marked for the attention of SEGL/JUR/OMF - Market Transactions & Financing.

- (c) **Transfer.** The Certificates are represented by a global warrant certificate (“**Global Warrant**”) which will be deposited with The Central Depository (Pte) Limited (“**CDP**”). Certificates in definitive form will not be issued. Transfers of Certificates may be effected only in Board Lots or integral multiples thereof. All transactions in (including transfers of) Certificates, in the open market or otherwise, must be effected through a securities account with CDP. Title will pass upon registration of the transfer in the records maintained by CDP.
- (d) **Title.** Each person who is for the time being shown in the records maintained by CDP as entitled to a particular number of Certificates shall be treated by the Issuer, the Guarantor and the Warrant Agent as the holder and absolute owner of such number of Certificates, notwithstanding any notice to the contrary. The expression “**Certificate Holder**” shall be construed accordingly.
- (e) **Bail-In.** By the acquisition of Certificates, each Certificate Holder (which, for the purposes of this Condition, includes any current or future holder of a beneficial interest in the Certificates) acknowledges, accepts, consents and agrees:
  - (i) to be bound by the effect of the exercise of the Bail-In Power (as defined below) by the Relevant Resolution Authority (as defined below) on the Issuer’s liabilities under the Certificates, which may include and result in any of the following, or some combination thereof:
    - (A) the reduction of all, or a portion, of the Amounts Due (as defined below), on a permanent basis;
    - (B) the conversion of all, or a portion, of the Amounts Due into shares, other securities or other obligations of the Issuer or the Guarantor or another person (and the issue to the Certificate Holder of such shares, securities or obligations), including by means of an amendment, modification or variation of the Conditions of the Certificates, in which case the Certificate Holder agrees to accept in lieu of its rights under the Certificates any such shares, other securities or other obligations of the Issuer or the Guarantor or another person;

- (C) the cancellation of the Certificates; and/or
- (D) the amendment or alteration of the expiration of the Certificates or amendment of the amounts payable on the Certificates, or the date on which the amounts become payable, including by suspending payment for a temporary period; and

that terms of the Certificates are subject to, and may be varied, if necessary, to give effect to the exercise of the Bail-In Power by the Relevant Resolution Authority or the regulator,

(the “**Statutory Bail-In**”);

- (ii) if the Relevant Resolution Authority exercises its Bail-In Power on liabilities of the Guarantor, pursuant to Article L.613-30-3-I-3 of the French Monetary and Financial Code (the “**Code**”):

- (A) ranking:
  - (1) junior to liabilities of the Guarantor benefitting from statutorily preferred exceptions pursuant to Article L.613-30-3-I 1° and 2 of the Code;
  - (2) *pari passu* with liabilities of the Guarantor as defined in Article L.613-30-3-I-3 of the Code; and
  - (3) senior to liabilities of the Guarantor as defined in Article L.613-30-3-I-4 of the Code; and
- (B) which are not *titres non structurés* as defined under Article R.613-28 of the Code, and
- (C) which are not or are no longer eligible to be taken into account for the purposes of the MREL (as defined below) ratio of the Guarantor

and such exercise of the Bail-In Power results in the write-down or cancellation of all, or a portion of, the principal amount of, or the outstanding amount payable in respect of, and/or interest on, such liabilities, and/or the conversion of all, or a portion, of the principal amount of, or the outstanding amount payable in respect of, or interest on, such liabilities into shares or other securities or other obligations of the Guarantor or another person, including by means of variation to their terms and conditions in order to give effect to such exercise of Bail-In Power, then the Issuer’s obligations under the Certificates will be limited to (i) payment of the amount as reduced or cancelled that would be recoverable by the Certificate Holders and/or (ii) the delivery or the payment of value of the shares or other securities or other obligations of the Guarantor or another person that would be paid or delivered to the Certificate Holders as if, in either case, the Certificates had been directly issued by the Guarantor itself and any Amount Due under the Certificates had accordingly been directly subject to the exercise of the Bail-In Power (the “**Contractual Bail-in**”).

No repayment or payment of the Amounts Due will become due and payable or be paid after the exercise of the Statutory Bail-In with respect to the Issuer or the Guarantor unless, at the time such repayment or payment, respectively, is scheduled to become due, such repayment or payment would be permitted to be made by the Issuer or the Guarantor under the applicable laws and regulations in effect in France or Luxembourg

and the European Union applicable to the Issuer or the Guarantor or other members of its group.

No repayment or payment of the Amounts Due will become due and payable or be paid under the Certificates issued by SG Issuer after implementation of the Contractual Bail-in.

Upon the exercise of the Statutory Bail-in or upon implementation of the Contractual Bail-in with respect to the Certificates, the Issuer or the Guarantor will provide a written notice to the Certificate Holders in accordance with Condition 9 as soon as practicable regarding such exercise of the Statutory Bail-in or implementation of the Contractual Bail-in. Any delay or failure by the Issuer or the Guarantor to give notice shall not affect the validity and enforceability of the Statutory Bail-in or Contractual Bail-in nor the effects on the Certificates described above.

Neither a cancellation of the Certificates, a reduction, in part or in full, of the Amounts Due, the conversion thereof into another security or obligation of the Issuer or the Guarantor or another person, as a result of the exercise of the Statutory Bail-in or the implementation of the Contractual Bail-in with respect to the Certificates will be an event of default or otherwise constitute non-performance of a contractual obligation, or entitle the Certificate Holder to any remedies (including equitable remedies) which are hereby expressly waived.

The matters set forth in this Condition shall be exhaustive on the foregoing matters to the exclusion of any other agreements, arrangements or understandings between the Issuer, the Guarantor and each Certificate Holder. No expenses necessary for the procedures under this Condition, including, but not limited to, those incurred by the Issuer and the Guarantor, shall be borne by any Certificate Holder.

For the purposes of this Condition:

**“Amounts Due”** means any amounts due by the Issuer under the Certificates.

**“Bail-In Power”** means any statutory cancellation, write-down and/or conversion power existing from time to time under any laws, regulations, rules or requirements relating to the resolution of banks, banking group companies, credit institutions and/or investment firms, including but not limited to any such laws, regulations, rules or requirements that are implemented, adopted or enacted within the context of a European Union directive or regulation of the European Parliament and of the Council establishing a framework for the recovery and resolution of credit institutions and investment firms, or any other applicable laws or regulations, as amended, or otherwise, pursuant to which obligations of a bank, banking group company, credit institution or investment firm or any of its affiliates can be reduced, cancelled, varied or otherwise modified in any way and/or converted into shares or other securities or obligations of the obligor or any other person.

**“MREL”** means the Minimum Requirement for own funds and Eligible Liabilities as defined in Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms (as amended from time to time).

**“Relevant Resolution Authority”** means any authority with the ability to exercise the Bail-in Power on Societe Generale or SG Issuer as the case may be.

## 2. Certificate Rights and Exercise Expenses

- (a) *Certificate Rights.* Every Certificate entitles each Certificate Holder, upon due exercise and on compliance with Condition 4, to payment by the Issuer of the Cash Settlement Amount (as defined below) (if any) in the manner set out in Condition 4.

The “**Cash Settlement Amount**”, in respect of each Certificate, shall be an amount payable in the Settlement Currency equal to the Closing Level multiplied by the Notional Amount per Certificate.

The “**Closing Level**”, in respect of each Certificate, shall be an amount payable in the Settlement Currency equal to:

$$\left( \frac{\text{Final Reference Level} \times \text{Final Exchange Rate}}{\text{Initial Reference Level} \times \text{Initial Exchange Rate}} - \text{Strike Level} \right) \times \text{Hedging Fee Factor}$$

If the Issuer determines, in its sole discretion, that on the Valuation Date or any Observation Date a Market Disruption Event has occurred, then that Valuation Date or Observation Date shall be postponed until the first succeeding Exchange Business Day or Underlying Stock Business Day, as the case may be, on which there is no Market Disruption Event, unless there is a Market Disruption Event on each of the five Exchange Business Days or Underlying Stock Business Days, as the case may be, immediately following the original date that, but for the Market Disruption Event, would have been a Valuation Date or an Observation Date. In that case:-

- (i) that fifth Exchange Business Day or Underlying Stock Business Day, as the case may be, shall be deemed to be the Valuation Date or the Observation Date notwithstanding the Market Disruption Event; and
- (ii) the Issuer shall determine the Final Reference Level or the relevant closing level on the basis of its good faith estimate of the Final Reference Level or the relevant closing level that would have prevailed on that fifth Exchange Business Day or Underlying Stock Business Day, as the case may be, but for the Market Disruption Event.

“**Market Disruption Event**” means the occurrence or existence of (i) any suspension of trading on the Relevant Stock Exchange of the Underlying Stock requested by the Company if that suspension is, in the determination of the Issuer, material, (ii) any suspension of or limitation imposed on trading (including but not limited to unforeseen circumstances such as by reason of movements in price exceeding limits permitted by the Relevant Stock Exchange or any act of God, war, riot, public disorder, explosion, terrorism or otherwise) on the Relevant Stock Exchange in the Underlying Stock if that suspension or limitation is, in the determination of the Issuer, material, or (iii) the closing of the Relevant Stock Exchange or a disruption to trading on the Relevant Stock Exchange if that disruption is, in the determination of the Issuer, material as a result of the occurrence of any act of God, war, riot, public disorder, explosion or terrorism.

- (b) *Exercise Expenses.* Certificate Holders will be required to pay all charges which are incurred in respect of the exercise of the Certificates (the “**Exercise Expenses**”). An amount equivalent to the Exercise Expenses will be deducted by the Issuer from the Cash Settlement Amount in accordance with Condition 4. Notwithstanding the foregoing, the Certificate Holders shall account to the Issuer on demand for any Exercise Expenses to the extent that they were not or could not be deducted from the Cash Settlement Amount prior to the date of payment of the Cash Settlement Amount to the Certificate Holders in accordance with Condition 4.

- (c) No Rights. The purchase of Certificates does not confer on the Certificate Holders any right (whether in respect of voting, dividend or other distributions in respect of the Underlying Stock or otherwise) which the holder of an Underlying Stock may have.

### **3. Expiry Date**

Unless automatically exercised in accordance with Condition 4(b), the Certificates shall be deemed to expire at 10:00 a.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day (as defined below), the immediately preceding Business Day.

### **4. Exercise of Certificates**

- (a) *Exercise.* Certificates may only be exercised on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, in accordance with Condition 4(b).
- (b) *Automatic Exercise.* Certificate Holders shall not be required to deliver an exercise notice. Exercise of Certificates shall be determined by whether the Cash Settlement Amount (less any Exercise Expenses) is positive. If the Cash Settlement Amount (less any Exercise Expenses) is positive, all Certificates shall be deemed to have been automatically exercised at 10:00 a.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day. The Cash Settlement Amount less the Exercise Expenses in respect of the Certificates shall be paid in the manner set out in Condition 4(c) below. In the event the Cash Settlement Amount (less any Exercise Expenses) is zero, all Certificates shall be deemed to have expired at 10:00 a.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, and Certificate Holders shall not be entitled to receive any payment from the Issuer in respect of the Certificates.
- (c) *Settlement.* In respect of Certificates which are automatically exercised in accordance with Condition 4(b), the Issuer will pay to the relevant Certificate Holder the Cash Settlement Amount (if any) in the Settlement Currency. The aggregate Cash Settlement Amount (less any Exercise Expenses) shall be despatched as soon as practicable and no later than five Settlement Business Days (as defined in the relevant Supplemental Listing Document and subject to extension upon the occurrence of a Settlement Disruption Event (as defined below)) following the Expiry Date by way of crossed cheque or other payment in immediately available funds drawn in favour of the Certificate Holder only (or, in the case of joint Certificate Holders, the first-named Certificate Holder) appearing in the records maintained by CDP. Any payment made pursuant to this Condition 4(c) shall be delivered at the risk and expense of the Certificate Holder and posted to the Certificate Holder's address appearing in the records maintained by CDP (or, in the case of joint Certificate Holders, to the address of the first-named Certificate Holder appearing in the records maintained by CDP). If the Cash Settlement Amount is equal to or less than the determined Exercise Expenses, no amount is payable.

If the Issuer determines, in its sole discretion, that on any Settlement Business Day during the period of five Settlement Business Days following the Expiry Date a Settlement Disruption Event has occurred, such Settlement Business Day shall be postponed to the next Settlement Business Day on which the Issuer determines that the Settlement Disruption Event is no longer subsisting and such period shall be extended accordingly, provided that the Issuer and/or the Guarantor shall make their best endeavours to implement remedies as soon as reasonably practicable to eliminate

the impact of the Settlement Disruption Event on its/their payment obligations under the Certificates and/or the Guarantee.

**“Settlement Disruption Event”** means the occurrence or existence of any malicious action or attempt initiated to steal, expose, alter, disable or destroy information through unauthorised access to, or maintenance or use of, the Computer Systems of the Issuer, the Guarantor, the Calculation Agent, their respective affiliates (the **“SG Group”**), their IT service providers, by (and without limitation) the use of malware, ransomware, phishing, denial or disruption of service or cryptojacking or any unauthorized entry, removal, reproduction, transmission, deletion, disclosure or modification preventing the Issuer, the Guarantor and/or the Calculation Agent to perform their obligations under the Certificates, and notwithstanding the implementation of processes, required, as the case may be, by the laws and regulations applicable to the Issuer, the Guarantor, the Calculation Agent and their affiliates, or their IT service providers to improve their resilience to these actions and attempts.

**“Computer System”** means all the computer resources including, in particular: hardware, software packages, software, databases and peripherals, equipment, networks, electronic installations for storing computer data, including Data. The Computer System shall be understood to be that which (i) belongs to the SG Group and/or (ii) is rented, operated or legally held by the SG Group under a contract with the holder of the rights to the said system and/or (iii) is operated on behalf of the SG Group by a third party within the scope of a contractual relationship and/or (iv) is made available to the SG Group under a contract within the framework of a shared system (in particular cloud computing).

**“Data”** means any digital information, stored or used by the Computer System, including confidential data.

- (d) *CDP not liable.* CDP shall not be liable to any Certificate Holder with respect to any action taken or omitted to be taken by the Issuer or the Warrant Agent in connection with the exercise of the Certificates or otherwise pursuant to or in connection with these Conditions.
- (e) *Business Day.* In these Conditions, a **“Business Day”** shall be a day on which the SGX-ST is open for dealings in Singapore during its normal trading hours and banks are open for business in Singapore.

## 5. Warrant Agent

- (a) *Warrant Agent.* The Issuer reserves the right, subject to the appointment of a successor, at any time to vary or terminate the appointment of the Warrant Agent and to appoint another Warrant Agent provided that it will at all times maintain a Warrant Agent which, so long as the Certificates are listed on the SGX-ST, shall be in Singapore. Notice of any such termination or appointment and of any change in the specified office of the Warrant Agent will be given to the Certificate Holders in accordance with Condition 9.
- (b) *Agent of Issuer.* The Warrant Agent will be acting as agent of the Issuer and will not assume any obligation or duty to or any relationship of agency or trust for the Certificate Holders. All determinations and calculations by the Warrant Agent under these Conditions shall (save in the case of manifest error) be final and binding on the Issuer and the Certificate Holders.



## 6. Adjustments

- (a) *Potential Adjustment Event.* Following the declaration by a Company of the terms of any Potential Adjustment Event (as defined below), the Issuer will determine whether such Potential Adjustment Event has a dilutive or concentrative or other effect on the theoretical value of the Underlying Stock and, if so, will (i) make the corresponding adjustment, if any, to any one or more of the Conditions as the Issuer determines appropriate to account for that dilutive or concentrative or other effect, and (ii) determine the effective date of that adjustment. The Issuer may, but need not, determine the appropriate adjustment by reference to the adjustment in respect of such Potential Adjustment Event made by an exchange on which options or futures contracts on the Underlying Stock are traded.
- (b) *Definitions.* “**Potential Adjustment Event**” means any of the following:
- (i) a subdivision, consolidation, reclassification or other restructuring of the Underlying Stock (excluding a Merger Event) or a free distribution or dividend of any such Underlying Stock to existing holders by way of bonus, capitalisation or similar issue;
  - (ii) a distribution or dividend to existing holders of the Underlying Stock of (1) such Underlying Stock, or (2) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the Company equally or proportionately with such payments to holders of such Underlying Stock, or (3) share capital or other securities of another issuer acquired by the Company as a result of a “spin-off” or other similar transaction, or (4) any other type of securities, rights or warrants or other assets, in any case for payment (in cash or otherwise) at less than the prevailing market price as determined by the Issuer;
  - (iii) an extraordinary dividend;
  - (iv) a call by the Company in respect of the Underlying Stock that is not fully paid;
  - (v) a repurchase by the Company of the Underlying Stock whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise;
  - (vi) with respect to a Company an event that results in any shareholder rights pursuant to a shareholder rights agreement or other plan or arrangement of the type commonly referred to as a “poison pill” being distributed, or becoming separated from shares of common stock or other shares of the capital stock of such Company (provided that any adjustment effected as a result of such an event shall be readjusted upon any redemption of such rights); or
  - (vii) any other event that may have, in the opinion of the Issuer, a dilutive or concentrative or other effect on the theoretical value of the Underlying Stock.
- (c) *Merger Event, Tender Offer, Nationalisation and Insolvency.* If a Merger Event, Tender Offer, Nationalisation or Insolvency occurs in relation to the Underlying Stock, the Issuer may take any action described below:
- (i) determine the appropriate adjustment, if any, to be made to any one or more of the Conditions to account for the Merger Event, Tender Offer, Nationalisation or Insolvency, as the case may be, and determine the effective

date of that adjustment. The Issuer may, but need not, determine the appropriate adjustment by reference to the adjustment in respect of the Merger Event, Tender Offer, Nationalisation or Insolvency made by an options exchange to options on the Underlying Stock traded on that options exchange;

- (ii) cancel the Certificates by giving notice to the Certificate Holders in accordance with Condition 9. If the Certificates are so cancelled, the Issuer will pay an amount to each Certificate Holder in respect of each Certificate held by such Certificate Holder which amount shall be the fair market value of a Certificate taking into account the Merger Event, Tender Offer, Nationalisation or Insolvency, as the case may be, less the cost to the Issuer and/or any of its affiliates of unwinding any underlying related hedging arrangements, all as determined by the Issuer in its reasonable discretion. Payment will be made in such manner as shall be notified to the Certificate Holders in accordance with Condition 9; or
- (iii) following any adjustment to the settlement terms of options on the Underlying Stock on such exchange(s) or trading system(s) or quotation system(s) as the Issuer in its reasonable discretion shall select (the “**Option Reference Source**”) make a corresponding adjustment to any one or more of the Conditions, which adjustment will be effective as of the date determined by the Issuer to be the effective date of the corresponding adjustment made by the Option Reference Source. If options on the Underlying Stock are not traded on the Option Reference Source, the Issuer will make such adjustment, if any, to any one or more of the Conditions as the Issuer determines appropriate, with reference to the rules and precedents (if any) set by the Option Reference Source, to account for the Merger Event, Tender Offer, Nationalisation or Insolvency, as the case may be, that in the determination of the Issuer would have given rise to an adjustment by the Option Reference Source if such options were so traded.

Once the Issuer determines that its proposed course of action in connection with a Merger Event, Tender Offer, Nationalisation or Insolvency, it shall give notice to the Certificate Holders in accordance with Condition 9 stating the occurrence of the Merger Event, Tender Offer, Nationalisation or Insolvency, as the case may be, giving details thereof and the action proposed to be taken in relation thereto. Certificate Holders should be aware that due to the nature of such events, the Issuer will not make an immediate determination of its proposed course of action or adjustment upon the announcement or occurrence of a Merger Event, Tender Offer, Nationalisation or Insolvency.

- (d) *Definitions.* “**Insolvency**” means that by reason of the voluntary or involuntary liquidation, bankruptcy, insolvency, dissolution or winding-up of or any analogous proceeding affecting a Company (i) all the Underlying Stock of that Company is required to be transferred to a trustee, liquidator or other similar official or (ii) holders of the Underlying Stock of that Company become legally prohibited from transferring them. “**Merger Date**” means the closing date of a Merger Event or, where a closing date cannot be determined under the local law applicable to such Merger Event, such other date as determined by the Issuer. “**Merger Event**” means, in respect of the Underlying Stock, any (i) reclassification or change of such Underlying Stock that results in a transfer of or an irrevocable commitment to transfer all of such Underlying

Stock outstanding to another entity or person, (ii) consolidation, amalgamation, merger or binding share exchange of a Company with or into another entity or person (other than a consolidation, amalgamation, merger or binding share exchange in which such Company is the continuing entity and which does not result in reclassification or change of all of such Underlying Stock outstanding), (iii) takeover offer, exchange offer, solicitation, proposal or other event by any entity or person to purchase or otherwise obtain 100 per cent. of the outstanding Underlying Stock of the Company that results in a transfer of or an irrevocable commitment to transfer all such Underlying Stock (other than such Underlying Stock owned or controlled by such other entity or person), or (iv) consolidation, amalgamation, merger or binding share exchange of the Company or its subsidiaries with or into another entity in which the Company is the continuing entity and which does not result in a reclassification or change of all such Underlying Stock outstanding but results in the outstanding Underlying Stock (other than Underlying Stock owned or controlled by such other entity) immediately prior to such event collectively representing less than 50 per cent. of the outstanding Underlying Stock immediately following such event, in each case if the Merger Date is on or before the Valuation Date. “**Nationalisation**” means that all the Underlying Stock or all or substantially all of the assets of a Company are nationalised, expropriated or are otherwise required to be transferred to any governmental agency, authority, entity or instrumentality thereof. “**Tender Offer**” means a takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person that results in such entity or person purchasing, or otherwise obtaining or having the right to obtain, by conversion or other means, greater than 10 per cent. and less than 100 per cent. of the outstanding voting shares of the Company, as determined by the Issuer, based upon the making of filings with governmental or self-regulatory agencies or such other information as the Issuer deems relevant.

- (e) *Subdivision or Consolidation of the Certificates.* The Issuer reserves the right to subdivide or consolidate the Certificates, provided that such adjustment is considered by the Issuer not to be materially prejudicial to the Certificate Holders generally (without considering the circumstances of any individual Certificate Holder or the tax or other consequences of such adjustment or amendment in any particular jurisdiction) and subject to the approval of the SGX-ST.
- (f) *Other Adjustments.* Except as provided in this Condition 6 and Conditions 10 and 12, adjustments will not be made in any other circumstances, subject to the right reserved by the Issuer (such right to be exercised in the Issuer's sole discretion and without any obligation whatsoever) to make such adjustments and amendments as it believes appropriate in circumstances where an event or events occur which it believes in its sole discretion (and notwithstanding any prior adjustment made pursuant to the above) should, in the context of the issue of the Certificates and the obligations of the Issuer, give rise to such adjustment or, as the case may be, amendment provided that such adjustment or, as the case may be, amendment is considered by the Issuer not to be materially prejudicial to the Certificate Holders generally (without considering the circumstances of any individual Certificate Holder or the tax or other consequences of such adjustment or amendment in any particular jurisdiction).
- (g) *Notice of Adjustments.* All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Certificate Holders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment and of the date from which such adjustment is effective by publication in accordance with Condition 9. For

the avoidance of doubt, no notice will be given if the Issuer determines that adjustments will not be made.

## **7. Purchases**

The Issuer, the Guarantor or any of their respective subsidiaries may at any time purchase Certificates at any price in the open market or by tender or by private treaty. Any Certificates so purchased may be held or resold or surrendered for cancellation.

## **8. Meetings of Certificate Holders; Modification**

- (a) *Meetings of Certificate Holders.* The Master Warrant Agent Agreement or Warrant Agent Agreement contains provisions for convening meetings of the Certificate Holders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Master Warrant Agent Agreement or Warrant Agent Agreement) of a modification of the provisions of the Certificates or of the Master Warrant Agent Agreement or Warrant Agent Agreement.

At least 21 days' notice (exclusive of the day on which the notice is given and of the day on which the meeting is held) specifying the date, time and place of the meeting shall be given to the Certificate Holders.

Such a meeting may be convened by the Issuer or by Certificate Holders holding not less than ten per cent. of the Certificates for the time being remaining unexercised. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 25 per cent. of the Certificates for the time being remaining unexercised, or at any adjourned meeting, two or more persons being or representing Certificate Holders whatever the number of Certificates so held or represented.

A resolution will be an Extraordinary Resolution when it has been passed at a duly convened meeting by not less than three-quarters of the votes cast by such Certificate Holders who, being entitled to do so, vote in person or by proxy.

An Extraordinary Resolution passed at any meeting of the Certificate Holders shall be binding on all the Certificate Holders whether or not they are present at the meeting. Resolutions can be passed in writing if passed unanimously.

- (b) *Modification.* The Issuer may, without the consent of the Certificate Holders, effect (i) any modification of the provisions of the Certificates or the Master Instrument which is not materially prejudicial to the interests of the Certificate Holders or (ii) any modification of the provisions of the Certificates or the Master Instrument which is of a formal, minor or technical nature, which is made to correct an obvious error or which is necessary in order to comply with mandatory provisions of Singapore law. Any such modification shall be binding on the Certificate Holders and shall be notified to them by the Warrant Agent before the date such modification becomes effective or as soon as practicable thereafter in accordance with Condition 9.

## **9. Notices**

- (a) *Documents.* All cheques and other documents required or permitted by these Conditions to be sent to a Certificate Holder or to which a Certificate Holder is entitled or which the Issuer shall have agreed to deliver to a Certificate Holder may be delivered by hand or sent by post addressed to the Certificate Holder at his address appearing in the records maintained by CDP or, in the case of joint Certificate Holders, addressed to the joint holder first named at his address appearing in the records maintained by

CDP, and airmail post shall be used if that address is not in Singapore. All documents delivered or sent in accordance with this paragraph shall be delivered or sent at the risk of the relevant Certificate Holder.

- (b) *Notices.* All notices to Certificate Holders will be validly given if published in English on the web-site of the SGX-ST. Such notices shall be deemed to have been given on the date of the first such publication. If publication on the web-site of the SGX-ST is not practicable, notice will be given in such other manner as the Issuer may determine. The Issuer shall, at least one month prior to the expiry of any Certificate, give notice of the date of expiry of such Certificate in the manner prescribed above.

## **10. Liquidation**

In the event of a liquidation or dissolution of the Company or the appointment of a liquidator (including a provisional liquidator) or receiver or judicial manager or trustee or administrator or analogous person under Singapore or other applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, all unexercised Certificates will lapse and shall cease to be valid for any purpose, in the case of voluntary liquidation, on the effective date of the relevant resolution and, in the case of an involuntary liquidation or dissolution, on the date of the relevant court order or, in the case of the appointment of a liquidator (including a provisional liquidator) or receiver or judicial manager or trustee or administrator or analogous person under Singapore or other applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, on the date when such appointment is effective but subject (in any such case) to any contrary mandatory requirement of law. In the event of the voluntary liquidation of the Company, the Issuer shall make such adjustments or amendments as it reasonably believes are appropriate in the circumstances.

## **11. Further Issues**

The Issuer shall be at liberty from time to time, without the consent of the Certificate Holders, to create and issue further certificates so as to form a single series with the Certificates, subject to the approval of the SGX-ST.

## **12. Delisting**

- (a) *Delisting.* If at any time, the Underlying Stock ceases to be listed on the Relevant Stock Exchange, the Issuer shall give effect to these Conditions in such manner and make such adjustments and amendments to the rights attaching to the Certificates as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Certificate Holders generally are not materially prejudiced as a consequence of such delisting (without considering the individual circumstances of any Certificate Holder or the tax or other consequences that may result in any particular jurisdiction).
- (b) *Issuer's Determination.* The Issuer shall determine, in its absolute discretion, any adjustment or amendment and its determination shall be conclusive and binding on the Certificate Holders save in the case of manifest error. Notice of any adjustments or amendments shall be given to the Certificate Holders in accordance with Condition 9 as soon as practicable after they are determined.

## **13. Early Termination**

- (a) *Early Termination for Illegality and Force Majeure, etc.* If the Issuer determines that a Regulatory Event (as defined below) has occurred and, for reasons beyond its control, the performance of its obligations under the Certificates has become illegal or impractical in whole or in part for any reason, or the Issuer determines that, for reasons

beyond its control, it is no longer legal or practical for it to maintain its hedging arrangements with respect to the Certificates for any reason, the Issuer may in its discretion and without obligation terminate the Certificates early in accordance with Condition 13(d).

Should any one or more of the provisions contained in the Conditions be or become invalid, the validity of the remaining provisions shall not in any way be affected thereby.

For the purposes of this Condition:

**“Regulatory Event”** means, following the occurrence of a Change in Law (as defined below) with respect to the Issuer and/or Société Générale as Guarantor or in any other capacity (including without limitation as hedging counterparty of the Issuer, market maker of the Certificates or direct or indirect shareholder or sponsor of the Issuer) or any of its affiliates involved in the issuer of the Certificates (hereafter the **“Relevant Affiliates”** and each of the Issuer, Société Générale and the Relevant Affiliates, a **“Relevant Entity”**) that, after the Certificates have been issued, (i) any Relevant Entity would incur a materially increased (as compared with circumstances existing prior to such event) amount of tax, duty, liability, penalty, expense, fee, cost or regulatory capital charge however defined or collateral requirements for performing its obligations under the Certificates or hedging the Issuer’s obligations under the Certificates, including, without limitation, due to clearing requirements of, or the absence of, clearing of the transactions entered into in connection with the issue of, or hedging the Issuer’s obligation under, the Certificates, (ii) it is or will become for any Relevant Entity impracticable, impossible (in each case, after using commercially reasonable efforts), unlawful, illegal or otherwise prohibited or contrary, in whole or in part, under any law, regulation, rule, judgement, order or directive of any governmental, administrative or judicial authority, or power, applicable to such Relevant Entity (a) to hold, acquire, issue, reissue, substitute, maintain, settle, or as the case may be, guarantee, the Certificates, (b) to acquire, hold, sponsor or dispose of any asset(s) (or any interest thereof) of any other transaction(s) such Relevant Entity may use in connection with the issue of the Certificates or to hedge the Issuer’s obligations under the Certificates, (c) to perform obligations in connection with, the Certificates or any contractual arrangement entered into between the Issuer and Société Générale or any Relevant Affiliate (including without limitation to hedge the Issuer’s obligations under the Certificates) or (d) to hold, acquire, maintain, increase, substitute or redeem all or a substantial part of its direct or indirect shareholding in the Issuer’s capital or the capital of any Relevant Affiliate or to directly or indirectly sponsor the Issuer or any Relevant Affiliate, or (iii) there is or may be a material adverse effect on a Relevant Entity in connection with the issue of the Certificates.

**“Change in law”** means (i) the adoption, enactment, promulgation, execution or ratification of any applicable new law, regulation or rule (including, without limitation, any applicable tax law, regulation or rule) after the Certificates have been issued, (ii) the implementation or application of any applicable law, regulation or rule (including, without limitation, any applicable tax law, regulation or rule) already in force when the Certificates have been issued but in respect of which the manner of its implementation or application was not known or unclear at the time, or (iii) the change of any applicable law, regulation or rule existing when the Certificates are issued, or the change in the interpretation or application or practice relating thereto, existing when the Certificates are issued of any applicable law, regulation or rule, by any competent court, tribunal, regulatory authority or any other entity exercising executive, legislative, judicial, taxing,

regulatory or administrative powers or functions of or pertaining to government (including any additional or alternative court, tribunal, authority or entity, to that existing when the Certificates are issued).

- (b) *Early Termination for Holding Limit Event.* The Issuer may in its discretion and without obligation terminate the Certificates early in accordance with Condition 13(d) where a Holding Limit Event (as defined below) occurs.

For the purposes of this Condition:

**“Holding Limit Event”** means, assuming the investor is the Issuer and/or any of its affiliates, the Issuer together with its affiliates, in aggregate hold, an interest in the Underlying Stock, constituting or likely to constitute (directly or indirectly) ownership, control or the power to vote a percentage of any class of voting securities of the Underlying Stock, of the Underlying Stock in excess of a percentage permitted or advisable, as determined by the Issuer, for the purpose of its compliance with the Bank Holding Company Act of 1956 as amended by Section 619 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Volcker Rule), including any requests, regulations, rules, guidelines or directives made by the relevant governmental authority under, or issued by the relevant governmental authority in connection with, such statutes.

- (c) *Early Termination for other reasons.* The Issuer reserves the right (such right to be exercised in the Issuer’s sole and unfettered discretion and without any obligation whatsoever) to terminate the Certificates in accordance with Condition 13(d) where an event or events occur which it believes in its sole discretion should, in the context of the issue of the Certificates and the obligations of the Issuer, give rise to such termination provided that such termination (i) is considered by the Issuer not to be materially prejudicial to the interests of Certificate Holders generally (without considering the circumstances of any individual Certificate Holder or the tax or other consequences of such termination in any particular jurisdiction); or (ii) is otherwise considered by the Issuer to be appropriate and such termination is approved by the SGX-ST.
- (d) *Termination.* If the Issuer terminates the Certificates early, then the Issuer will give notice to the Certificate Holders in accordance with Condition 9. The Issuer will, if and to the extent permitted by applicable law, pay an amount to each Certificate Holder in respect of each Certificate held by such holder equal to the fair market value of a Certificate notwithstanding such illegality, impracticality or the relevant event less the cost to the Issuer of unwinding any underlying related hedging arrangements, all as determined by the Issuer in its sole and absolute discretion. Payment will be made in such manner as shall be notified to the Certificate Holders in accordance with Condition 9.

#### **14. Substitution of the Issuer**

The Issuer may be replaced by the Guarantor or any subsidiary of the Guarantor as principal obligor in respect of the Certificates without the consent of the relevant Certificate Holders. If the Issuer determines that it shall be replaced by the Guarantor or any subsidiary of the Guarantor (the **“Substituted Obligor”**), it shall give at least 90 days’ notice (exclusive of the day on which the notice is given and of the day on which the substitution is effected) specifying the date of the substitution, in accordance with Condition 9, to the Certificate Holders of such event and, immediately on the expiry of

such notice, the Substituted Obligor shall become the principal obligor in place of the Issuer and the Certificate Holders shall thereupon cease to have any rights or claims whatsoever against the Issuer.

Upon any such substitution, all references to the Issuer in the Conditions and all agreements relating to the Certificates will be to the Substituted Obligor and the Certificates will be modified as required, and the Certificate Holders will be notified of the modified terms and conditions of such Certificates in accordance with Condition 9.

For the purposes of this Condition, it is expressly agreed that by subscribing to, acquiring or otherwise purchasing or holding the Certificates, the Certificate Holders are expressly deemed to have consented to the substitution of the Issuer by the Substituted Obligor and to the release of the Issuer from any and all obligations in respect of the Certificates and all agreements relating thereto and are expressly deemed to have accepted such substitution and the consequences thereof.

#### **15. Governing Law**

The Certificates, the Master Instrument and the Master Warrant Agent Agreement or Warrant Agent Agreement will be governed by and construed in accordance with Singapore law. The Issuer and the Guarantor and each Certificate Holder (by its purchase of the Certificates) shall be deemed to have submitted for all purposes in connection with the Certificates, the Master Instrument and the Master Warrant Agent Agreement or Warrant Agent Agreement to the non-exclusive jurisdiction of the courts of Singapore. The Guarantee shall be governed by and construed in accordance with Singapore law.

#### **16. Prescription**

Claims against the Issuer for payment of any amount in respect of the Certificates will become void unless made within six years of the Expiry Date and, thereafter, any sums payable in respect of such Certificates shall be forfeited and shall revert to the Issuer.

#### **17. Contracts (Rights of Third Parties) Act 2001 of Singapore**

Unless otherwise provided in the Global Warrant, the Master Instrument and the Master Warrant Agent Agreement or Warrant Agent Agreement, a person who is not a party to any contracts made pursuant to the Global Warrant, the Master Instrument and the Master Warrant Agent Agreement or Warrant Agent Agreement has no rights under the Contracts (Rights of Third Parties) Act 2001 of Singapore to enforce any terms of such contracts. Except as expressly provided herein, the consent of any third party is not required for any subsequent agreement by the parties hereto to amend or vary (including any release or compromise of any liability) or terminate such contracts.



## SUMMARY OF THE ISSUE

*The following is a summary of the issue and should be read in conjunction with, and is qualified by reference to, the other information set out in this document and the Base Listing Document. Terms used in this Summary are defined in the Conditions.*

Issuer:	SG Issuer
Company:	WuXi Biologics (Cayman) Inc.
The Certificates:	European Style Cash Settled Short Certificates relating to the Underlying Stock
Number:	20,000,000 Certificates
Form:	The Certificates will be issued subject to, and with the benefit of, a master instrument by way of deed poll dated 16 June 2023 (the “ <b>Master Instrument</b> ”) and executed by the Issuer and the Guarantor and a master warrant agent agreement dated 29 May 2017 (the “ <b>Master Warrant Agent Agreement</b> ”) and made between the Issuer, the Guarantor and the Warrant Agent.
Cash Settlement Amount:	In respect of each Certificate, is the amount (if positive) equal to: Notional Amount per Certificate x Closing Level
Denominations:	Certificates are represented by a global warrant in respect of all the Certificates.
Exercise:	The Certificates may only be exercised on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, in a Board Lot or integral multiples thereof. Certificate Holders will not be required to deliver an exercise notice. If the Cash Settlement Amount (less any Exercise Expenses) is positive, all Certificates will be deemed to have been automatically exercised at 10:00 a.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day. The Cash Settlement Amount less the Exercise Expenses in respect of the Certificates shall be paid in the manner set out in Condition 4(c) of the Conditions. In the event the Cash Settlement Amount (less any Exercise Expenses) is zero, all Certificates shall be deemed to have expired at 10:00 a.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, and Certificate Holders shall not be entitled to receive any payment from the Issuer in respect of the Certificates.
Exercise and Trading Currency:	SGD
Board Lot:	100 Certificates

Transfers of Certificates:	Certificates may only be transferred in Board Lots (or integral multiples thereof). All transfers in Certificates, in the open market or otherwise, must be effected through a securities account with CDP. Title will pass upon registration of the transfer in the records of CDP.
Listing:	Application has been made to the SGX-ST for permission to deal in and for quotation of the Certificates and the SGX-ST has agreed in principle to grant permission to deal in and for quotation of the Certificates. Issue of the Certificates is conditional on such listing being granted. It is expected that dealings in the Certificates on the SGX-ST will commence on or about 11 July 2023.
Governing Law:	The laws of Singapore
Warrant Agent:	The Central Depository (Pte) Limited 11 North Buona Vista Drive #06-07 The Metropolis Tower 2 Singapore 138589
Further Issues:	Further issues which will form a single series with the Certificates will be permitted, subject to the approval of the SGX-ST.

The above summary is qualified in its entirety by reference to the detailed information appearing elsewhere in this document and the Base Listing Document.

## INFORMATION RELATING TO THE EUROPEAN STYLE CASH SETTLED SHORT CERTIFICATES ON SINGLE EQUITIES

### What are European Style Cash Settled Short Certificates on Single Equities?

European style cash settled short certificates on single equities (the “**Certificates**”) are structured products relating to the Underlying Stock and the return on a Certificate is linked to the performance of the Leverage Inverse Strategy.

#### **A) Cash Settlement Amount Payable upon the Exercise of the Certificates at Expiry**

Upon the exercise of the Certificates at expiry, the Certificate Holders would be paid a Cash Settlement Amount in respect of each Certificate.

The Cash Settlement Amount, in respect of each Certificate, shall be an amount payable in the Settlement Currency equal to the Closing Level multiplied by the Notional Amount per Certificate.

The Closing Level, in respect of each Certificate, shall be an amount payable in the Settlement Currency equal to (1) divided by (2) less (3) subject to any adjustments such as (4), where:

- (1) is the Final Reference Level multiplied by the Final Exchange Rate;
- (2) is the Initial Reference Level multiplied by the Initial Exchange Rate;
- (3) is the Strike Level; and
- (4) is the Hedging Fee Factor.

If the Cash Settlement Amount (less any Exercise Expenses) is positive, all Certificates shall be deemed to have been automatically exercised and investors will receive a Cash Settlement Amount. If the Cash Settlement Amount (less any Exercise Expenses) is zero, all Certificates shall be deemed to have expired. Please refer to the section headed “Terms and Conditions of the European Style Cash Settled Long/Short Certificates on Single Equities” for further details on the calculation of the Cash Settlement Amount.

The Certificates are only suitable for investors who believe that the price of the Underlying Stock will decrease and are seeking short-term leveraged inverse exposure to the Underlying Stock.

#### **B) Trading the Certificates before Expiry**

If the Certificate Holders want to cash out their investments in the Certificates before the expiry of the Certificates, they may sell the Certificates in the secondary market during the life of the Certificates, and would be subject to the following fees and charges:

- (i) For Certificate Holders who trade the Certificates intraday: shall pay normal transaction and brokerage fees for the trading of the Certificates on the SGX-ST, and may be required to pay stamp taxes or other documentary charges in accordance with the laws and practices of the country where the Certificates are transferred; and
- (ii) For Certificate Holders who hold the Certificates overnight: in addition to the normal transaction and brokerage fees and applicable stamp taxes, would also be required to bear the Management Fee and Gap Premium as well as certain costs embedded within the Leverage Inverse Strategy including the Stock Borrowing Cost and Rebalancing Cost.

## Illustration of the Calculation of Hedging Fee Factor

Hedging Fee Factor	=	Product of the Daily Fees
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Daily Fees	=	<b>Daily Management Fee Adjustment</b>
		$1 - \text{Management Fee} \times \text{ACT}(t-1;t) / 360$
		x
		<b>Daily Gap Premium Adjustment</b>
		$1 - \text{Gap Premium}(t-1) \times \text{ACT}(t-1;t) / 360$

## Illustration of the Calculation of Cash Settlement Amount

Cash Settlement Amount = Final Value of Certificates – Strike Level (zero)

Value of Certificates	=	$t^7=0$	x	$t=1$	x	$t=2$	x ...	$t=i$
		Notional Amount		Leverage Inverse Strategy daily performance <sup>8</sup> x Daily Fees		Leverage Inverse Strategy daily performance x Daily Fees		Leverage Inverse Strategy Daily performance x Daily Fees

Value of Certificates	=	$t=0$	x	<b>Product of the daily Leverage Inverse Strategy Performance</b>	x	<b>Product of the Daily Fees (Hedging Fee Factor)</b>
		Notional Amount		Leverage Inverse Strategy daily performance x Leverage Inverse Strategy daily performance		Daily Fees x Daily Fees

Final Value of Certificates	=	$t=0$	x	Final Reference Level x Final Exchange Rate ÷ Initial Reference Level x Initial Exchange Rate	x	Hedging Fee Factor
		Notional Amount				

## Illustration of the applicable fees and charges for an intraday trading scenario

Hedging Fee is implemented overnight in the price of the Certificate. As a consequence, when trading intraday, investors will not bear any Hedging Fee.

Investors will only support bid/ask costs, which are the difference between the price at which the Designated Market Maker purchases (bid) and sells (ask) the Certificate at any point of time.

<sup>7</sup> "t" refers to "Observation Date" which means each Underlying Stock Business Day (subject to Market Disruption Event) from (and including) the Underlying Stock Business Day immediately preceding the Expected Listing Date to the Valuation Date.

<sup>8</sup> Leverage Inverse Strategy daily performance is computed as the Leverage Inverse Strategy Closing Level on Business Day (t) divided by the Leverage Inverse Strategy Closing Level on Business Day (t-1).

## Example of Calculation of Hedging Fee Factor and Cash Settlement Amount

*The example is purely hypothetical. We include the example to illustrate how the Certificates work, and you MUST NOT rely on them as any indication of the actual return or what the payout on the Certificates might actually be. The example also assumes a product which expires 16 days after listing date, to illustrate the daily calculation of price, costs and fees from listing date to expiry date.*

Assuming an investor purchases the following Certificates at the Issue Price:

Underlying Stock:	Ordinary shares of WuXi Biologics (Cayman) Inc. traded in HKD
Expected Listing Date:	<b>03/07/2018</b>
Expiry Date:	<b>18/07/2018</b>
Initial Reference Level:	<b>1,000</b>
Initial Exchange Rate:	<b>1</b>
Final Reference Level:	<b>1,200</b>
Final Exchange Rate:	<b>1</b>
Issue Price:	<b>0.50 SGD</b>
Notional Amount per Certificate:	<b>0.50 SGD</b>
Management Fee (p.a.):	<b>0.40%</b>
Gap Premium (p.a.):	<b>8.00%</b>
Strike Level:	Zero

## Hedging Fee Factor

Hedging Fee Factor on the  $n^{\text{th}}$  Underlying Stock Business Day after issuance of Certificate ("HFF (n)") is calculated as follows:

$$\text{HFF}(0) = 100\%$$

On Next Calendar Day (assuming it is an Underlying Stock Business Day):

$$\text{HFF}(1) = \text{HFF}(0) \times \left(1 - \text{Management Fee} \times \frac{\text{ACT}(t-1; t)}{360}\right) \times \left(1 - \text{Gap Premium} \times \frac{\text{ACT}(t-1; t)}{360}\right)$$

$$\text{HFF}(1) = 100\% \times \left(1 - 0.40\% \times \frac{1}{360}\right) \times \left(1 - 8.00\% \times \frac{1}{360}\right)$$

$$\text{HFF}(1) = 100\% \times 99.9989\% \times 99.9778\% \approx 99.9767\%$$

Assuming 2<sup>nd</sup> Underlying Stock Business Day falls 3 Calendar Days after 1<sup>st</sup> Underlying Stock Business Day:

$$\text{HFF}(2) = \text{HFF}(1) \times \left(1 - \text{Management Fee} \times \frac{\text{ACT}(t-1; t)}{360}\right) \times \left(1 - \text{Gap Premium} \times \frac{\text{ACT}(t-1; t)}{360}\right)$$

$$\text{HFF (2)} = 99.9767\% \times \left(1 - 0.40\% \times \frac{3}{360}\right) \times \left(1 - 8.00\% \times \frac{3}{360}\right)$$

$$\text{HFF (2)} = 99.9767\% \times 99.9967\% \times 99.9333\% \approx 99.9067\%$$

The same principle applies to the following Underlying Stock Business Days:

$$\text{HFF (n)} = \text{HFF (n - 1)} \times \left(1 - \text{Management Fee} \times \frac{\text{ACT (t - 1; t)}}{360}\right) \times \left(1 - \text{Gap Premium} \times \frac{\text{ACT (t - 1; t)}}{360}\right)$$

In this example, the Hedging Fee Factor as of the Valuation Date would be equal to 99.6505% as illustrated below:

Date	HFF
3/7/2018	100.0000%
4/7/2018	99.9767%
5/7/2018	99.9533%
6/7/2018	99.9300%
9/7/2018	99.8601%
10/7/2018	99.8368%
11/7/2018	99.8135%
12/7/2018	99.7902%
13/7/2018	99.7669%
16/7/2018	99.6971%
17/7/2018	99.6738%
18/7/2018	99.6505%

### Cash Settlement Amount

In this example, the Closing Level and the Cash Settlement Amount would be computed as follows:

$$\begin{aligned} \text{Closing Level} &= [(\text{Final Reference Level} \times \text{Final Exchange Rate}) / (\text{Initial Reference Level} \times \text{Initial Exchange Rate}) - \text{Strike Level}] \times \text{Hedging Fee Factor} \\ &= [(1200 \times 1) / (1000 \times 1) - 0] \times 99.6505\% \\ &= 119.58\% \end{aligned}$$

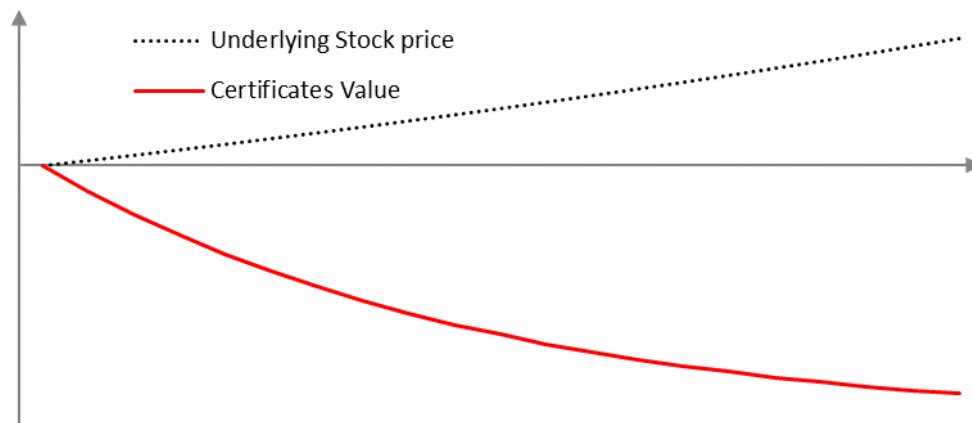
$$\begin{aligned} \text{Cash Settlement Amount} &= \text{Closing Level} \times \text{Notional Amount per Certificate} \\ &= 119.58\% \times 0.50 \text{ SGD} \\ &= \mathbf{0.598 \text{ SGD}} \end{aligned}$$

## Illustration on how returns and losses can occur under different scenarios

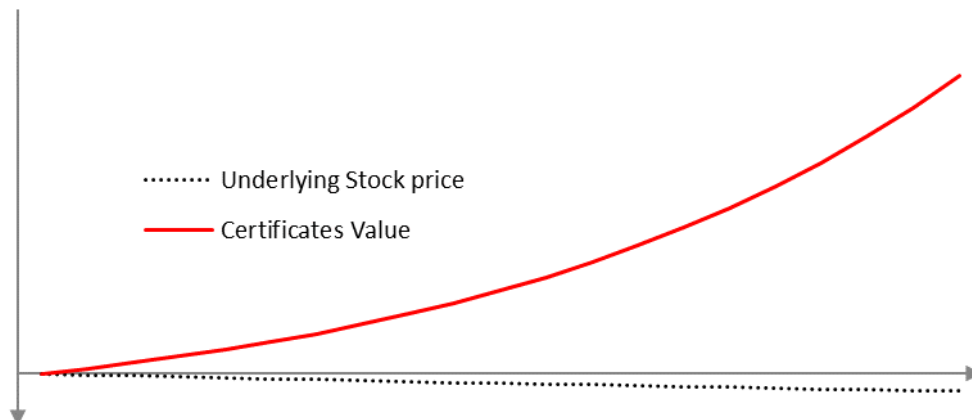
The examples are purely hypothetical and do not take fees and charges payable by investors into consideration. The examples highlight the effect of the Underlying Stock performance on the value of the Certificates and do not take into account the possible influence of fees, exchange rates, dividends, or any other market parameters.

### 1. Illustrative examples

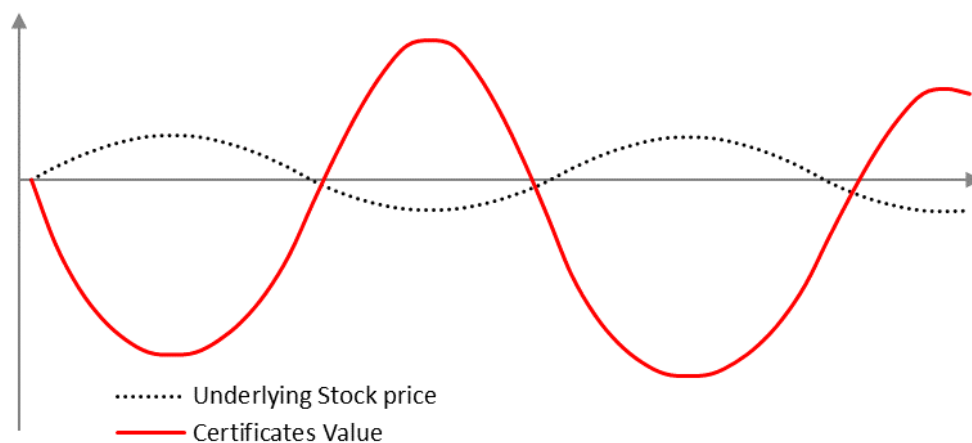
#### Scenario 1 – Upward Trend



#### Scenario 2 – Downward Trend



#### Scenario 3 – Volatile Market



## 2. Numerical Examples

### Scenario 1 – Upward Trend

Underlying Stock						
	Day 0	Day 1	Day 2	Day 3	Day 4	Day 5
Daily return		2.0%	2.0%	2.0%	2.0%	2.0%
Value at end of day	10,000.0	10,200.0	10,404.0	10,612.1	10,824.3	11,040.8
Accumulated Return		2.00%	4.04%	6.12%	8.24%	10.41%

Value of the Certificates						
	Day 0	Day 1	Day 2	Day 3	Day 4	Day 5
Daily return		-10.0%	-10.0%	-10.0%	-10.0%	-10.0%
Price at end of day	0.5	0.45	0.41	0.36	0.33	0.30
Accumulated Return		-10.00%	-19.00%	-27.10%	-34.39%	-40.95%

### Scenario 2 – Downward Trend

Underlying Stock						
	Day 0	Day 1	Day 2	Day 3	Day 4	Day 5
Daily return		-2.0%	-2.0%	-2.0%	-2.0%	-2.0%
Value at end of day	10,000.0	9,800.0	9,604.0	9,411.9	9,223.7	9,039.2
Accumulated Return		-2.00%	-3.96%	-5.88%	-7.76%	-9.61%

Value of the Certificates						
	Day 0	Day 1	Day 2	Day 3	Day 4	Day 5
Daily return		10.0%	10.0%	10.0%	10.0%	10.0%
Price at end of day	0.5	0.55	0.61	0.67	0.73	0.81
Accumulated Return		10.00%	21.00%	33.10%	46.41%	61.05%

### Scenario 3 – Volatile Market

Underlying Stock						
	Day 0	Day 1	Day 2	Day 3	Day 4	Day 5
Daily return		2.0%	-2.0%	2.0%	-2.0%	2.0%
Value at end of day	10,000.0	10,200.0	9,996.0	10,195.9	9,992.0	10,191.8
Accumulated Return		2.00%	-0.04%	1.96%	-0.08%	1.92%

Value of the Certificates						
	Day 0	Day 1	Day 2	Day 3	Day 4	Day 5
Daily return		-10.0%	10.0%	-10.0%	10.0%	-10.0%
Price at end of day	0.5	0.45	0.50	0.45	0.49	0.44
Accumulated Return		-10.00%	-1.00%	-10.90%	-1.99%	-11.79%



## Description of Air Bag Mechanism

The Certificates integrate an “Air Bag Mechanism” which is designed to reduce exposure to the Underlying Stock during extreme market conditions.

When the Air Bag triggers, a 30-minute period starts. This period is divided into two sub-periods:

- Observation Period: during 15 minutes after the Air Bag trigger, the price of the Underlying Stock is observed and its maximum price is recorded; and
- Reset Period: after 15 minutes, the Leverage Inverse Strategy is reset using the maximum price of the Underlying Stock during the Observation Period as the New Observed Price. The New Observed Price replaces the last closing price of the Underlying Stock in order to compute the performance of the Leverage Inverse Strategy, 30 minutes after the Air Bag trigger.

Trading of Certificates is suspended for at least 30 minutes after the Air Bag is triggered and does not take into account the mid-day break. Investors cannot sell or purchase any Certificates during this period.

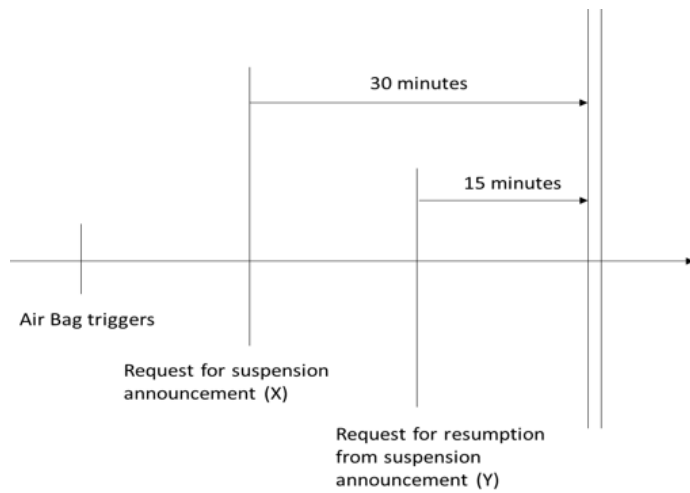
The performance of the Leverage Inverse Strategy will be the inverse of the Underlying Stock.

### Air Bag Mechanism timeline

Air Bag Trigger	Observation Period	Resumption of Trading
More than 45 minutes before Market Close	First 15 minutes after Air Bag Trigger	Trading resumes the same day between 30 and 45 minutes after Air Bag Trigger
Less than 45 minutes before Market Close and more than 15 minutes before Market Close		Next trading day at Market Open
15 minutes or less than 15 minutes before Market Close	From Air Bag Trigger to Market Close	

With **Market Close** defined as:

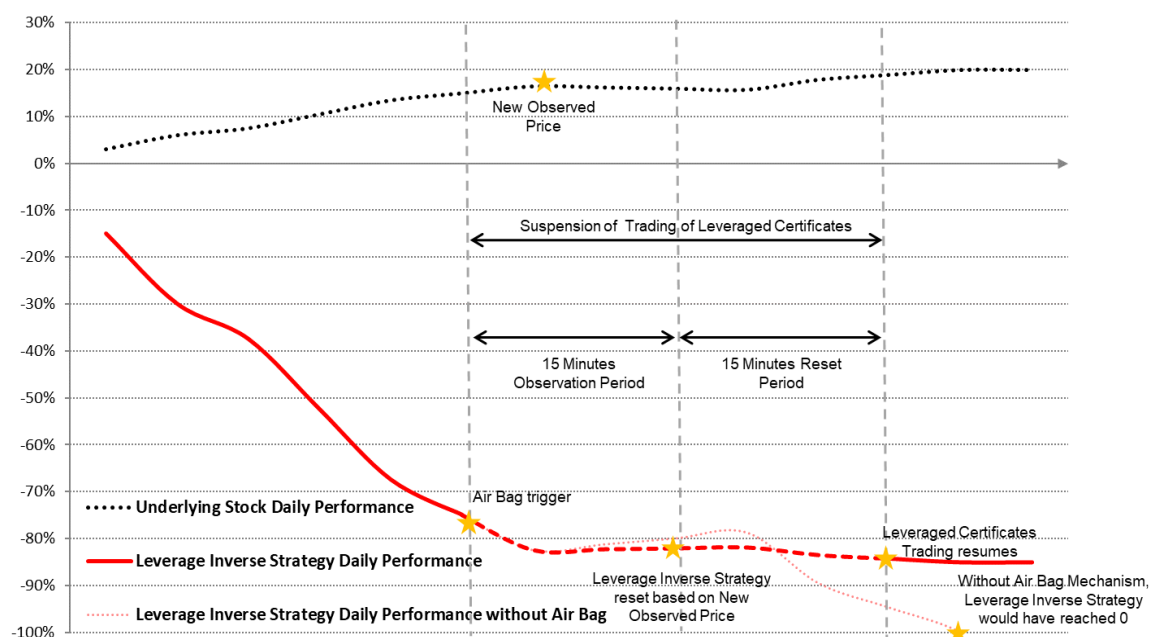
- Underlying Stock closing time with respect to the Observation Period
- The sooner between Underlying Stock closing time and SGX closing time with respect to the Resumption of Trading



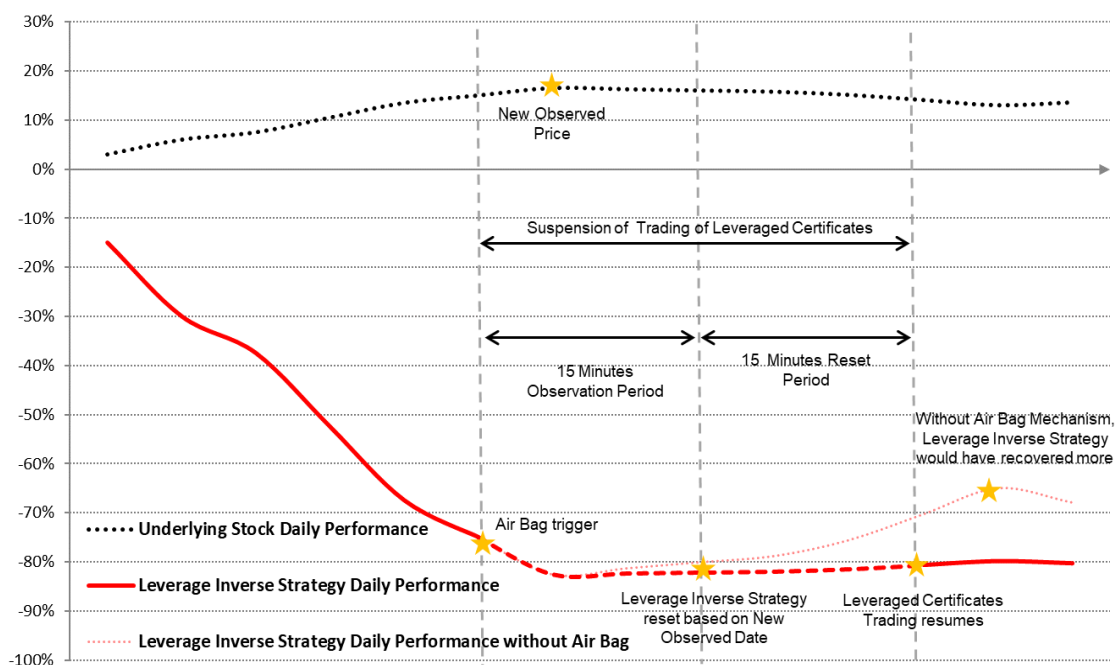
- The later between  $X+30$  minutes or  $Y+15$  minutes will be the earliest time the Certificates can be resumed, the next quarter-of-an-hour of which will be the scheduled resumption time of the Certificates
- If the scheduled resumption time of the Certificates is at or later than the scheduled closing time of the underlying asset, the Certificates will resume at 9 a.m. on the next SGX-ST trading day

## Illustrative examples of the Air Bag Mechanism<sup>9</sup>

### Scenario 1 – Upward Trend after Air Bag trigger



### Scenario 2 – Downward Trend after Air Bag trigger



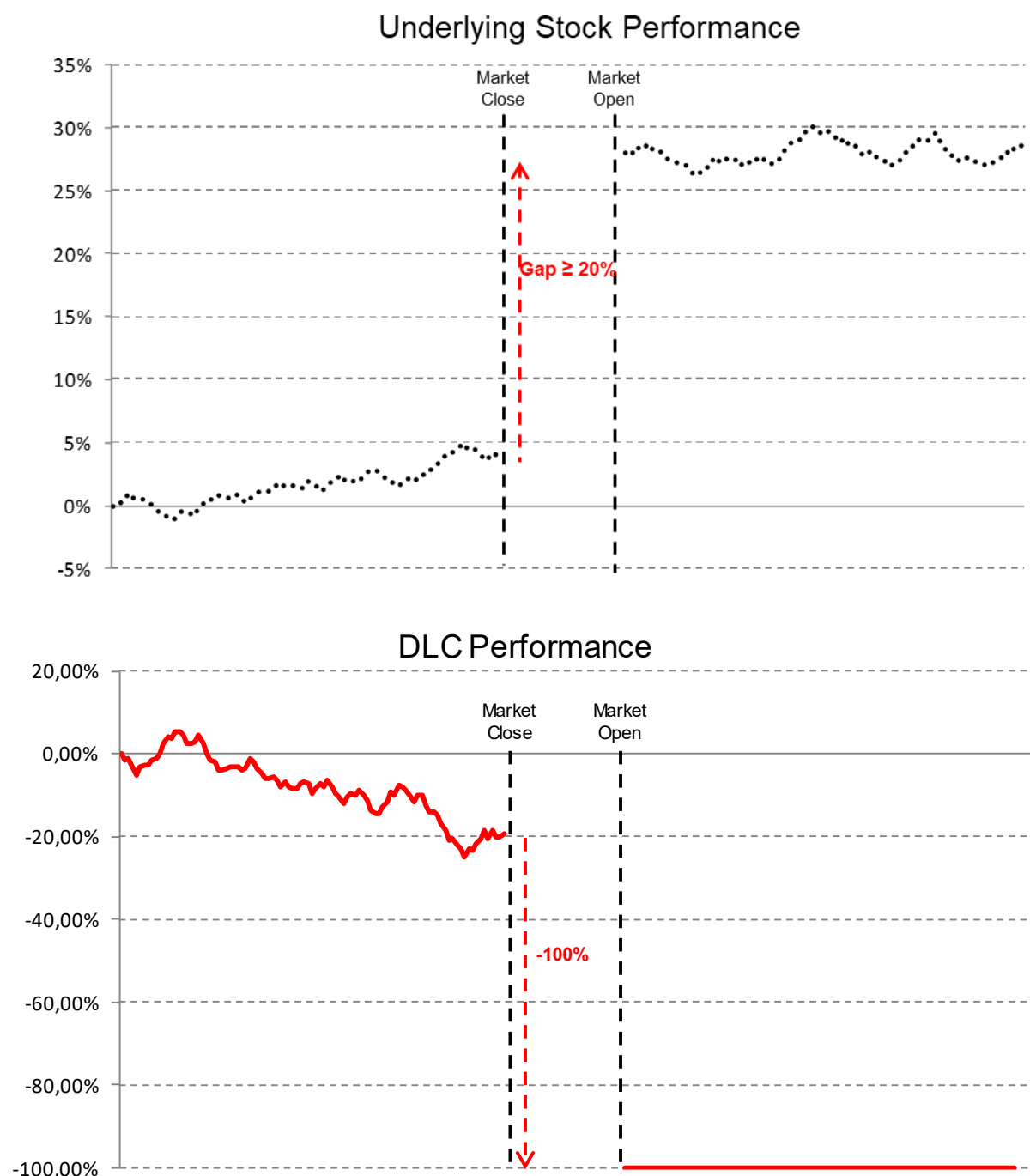
<sup>9</sup> The illustrative examples are not exhaustive.

## Scenarios where the investor may lose the entire value of the investment

*The scenarios below are purely hypothetical and do not take fees and charges payable by investors into consideration. The scenarios highlight cases where the Certificates may lose 100% of their value.*

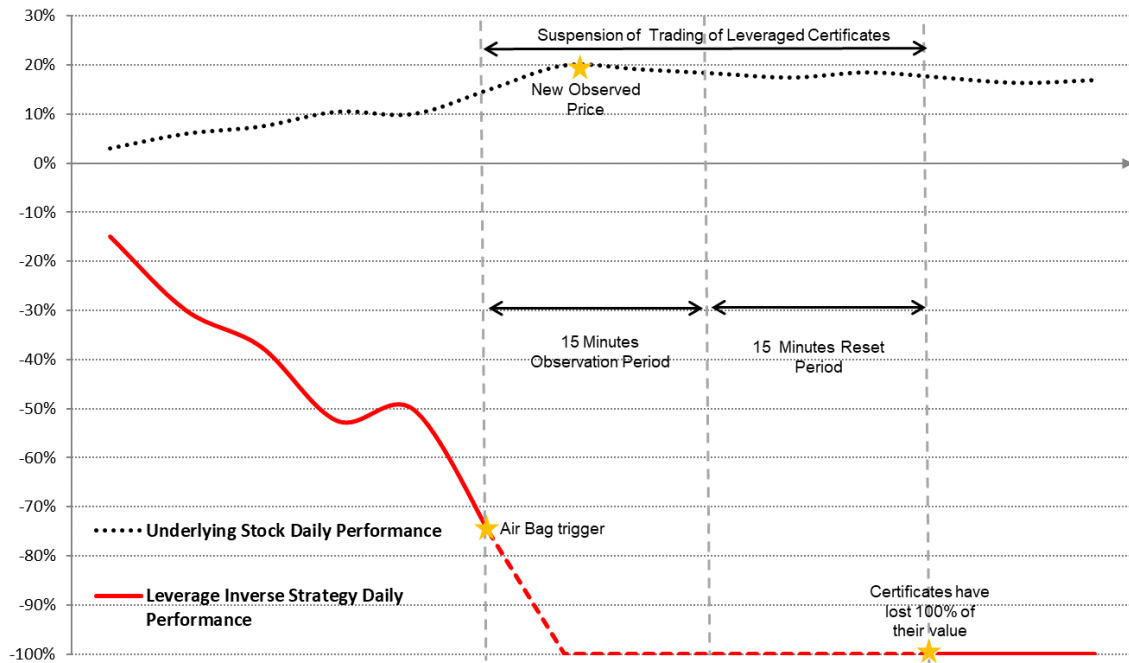
### Scenario 1 – Overnight rise of the Underlying Stock

On any business day, the opening price of the Underlying Stock may be higher or lower than the closing price on the previous day. The difference between the previous closing price and the opening price of the Underlying Stock is termed a “gap”. If the opening price of the Underlying Stock is 20% or more above the previous day closing price, the Air Bag Mechanism would only be triggered when the market opens (including the pre-opening session) the following day, and the Certificates would lose their entire value in such event.



### Scenario 2 – Sharp intraday rise of the Underlying Stock

Although the Air Bag Mechanism is designed to reduce the exposure to the Underlying Stock during extreme market conditions, the Certificate can lose 100% of its value in the event the price of the Underlying Stock rises by 20% or more within the 15 minutes Observation Period compared to the reference price, being: (i) if air bag has not been previously triggered on the same day, the previous closing price of the Underlying Stock, or (ii) if one or more air bag have been previously triggered on the same day, the latest New Observed Price. The Certificates would lose their entire value in such event.



## Examples and illustrations of adjustments due to certain corporate actions

*The examples are purely hypothetical and do not take fees and charges payable by investors into consideration. The examples highlight the effect of corporate actions on the value of the Certificates and do not take into account the possible influence of fees, exchange rates, or any other market parameters.*

In the case of any corporate action on the Underlying Stock, the Calculation Agent will, as soon as reasonably practical after it becomes aware of such event, determine whether such corporate action has a dilutive or concentrative effect on the theoretical value of the Underlying Stock, and if so, will (a) calculate the corresponding adjustment, if any, to be made to the elements relating to the Underlying Stock which are used to determine any settlement or payment terms under the Certificates and/or adjust at its discretion any other terms of the Certificates as it determines appropriate to preserve the economic equivalent of the obligations of the Issuer under the Certificates and (b) determine the effective date of such adjustment.

Notwithstanding the foregoing, in the event Observation Date (t) is an ex-date with respect to a corporate action related to the Underlying Stock, the Calculation Agent may, in its sole and absolute discretion, replace the  $Rfactor_t$  with respect to such Observation Date (t) by an amount computed according to the following generic formula :

$$Rfactor_t = \left[ 1 - \frac{Div_t + DivExc_t - M \times R}{S_{t-1}} \right] \times \frac{1}{1 + M}$$

This formula is provided for indicative purposes and the Calculation Agent may determine that this formula is not appropriate for certain corporate actions and may apply a different formula instead.

Such adjustment of  $Rfactor_t$  would affect the Leveraged Return, the Rebalancing Cost, and the Underlying Reference Price used to determine the Intraday Restrike Event. The Air Bag mechanism would not be triggered if the stock price rises by 15% exclusively because of the dilutive effect of a corporate action.

Where:

$DivExc_t$  is the amount received as an Extraordinary Dividend by a holder of existing Shares for each Share held prior to the Extraordinary Dividend, net of any applicable withholding taxes.

**M** is the number of new Share(s) (whether a whole or a fraction) per existing Share each holder thereof is entitled to subscribe or to receive (positive amount) or the number of existing Shares redeemed or canceled per existing Share (negative amount), as the case may be, resulting from the corporate action.

**R** is the subscription price per Share (positive amount) or the redemption price per Share (negative amount) including any dividends or other benefits forgone to be subscribe to or to receive (as applicable), or to redeem a Share.

### 1. Stock split

Assuming the Underlying Stock is subject to a 1 to 2 stock split (i.e. 1 new Share for every 1 existing share):

$$S_{t-1} = \$100$$

$$S_t = \$51$$

$$Div_t = \$0$$

$$DivExc_t = \$0$$

M = 1 (i.e. 1 new Shares for 1 existing Share)

R = \$0 (no subscription price / redemption price)

$$Rfactor_t = \left[ 1 - \frac{0 + 0 - 2 \times 0}{100} \right] \times \frac{1}{1 + 1} = 50\%$$

As a consequence:

$$LR_{t-1,t} = \text{Leverage} \times \left( \frac{S_t}{S_{t-1} \times Rfactor_t} - 1 \right) = -5 \times \left( \frac{51}{100 \times 50\%} - 1 \right) = -10\%$$

$S_{t-1}$	$S_{t-1} \times Rfactor_t$	$S_t$	Adjusted Underlying Stock Performance
100	50	51	2%

Value of the Certificate (t-1)	Value of the Certificate (t)	Certificates' performance (excluding any cost and fees)
0.50	0.45	-10%

In such case an Intraday Restrike Event would occur if the Underlying Stock price rises to \$57.5, which is 15% above \$50, the Underlying Stock Reference Price.

## 2. Share Consolidation

Assuming the Underlying Stock is subject to a 2 to 1 share consolidation (i.e. 1 Share canceled for every 2 existing Shares):

$$S_{t-1} = \$100$$

$$S_t = \$202$$

$$\text{Div}_t = \$0$$

$$\text{DivExc}_t = \$0$$

M = -0.5 (i.e. 0.5 Shares canceled for each 1 existing Share)

R = \$0 (no subscription price / redemption price)

$$Rfactor_t = \left[ 1 - \frac{0 + 0 - (-0.5) \times 0}{100} \right] \times \frac{1}{1 + (-0.5)} = 200\%$$

As a consequence:

$$LR_{t-1,t} = \text{Leverage} \times \left( \frac{S_t}{S_{t-1} \times Rfactor_t} - 1 \right) = -5 \times \left( \frac{202}{100 \times 200\%} - 1 \right) = -5\%$$

$S_{t-1}$	$S_{t-1} \times Rfactor_t$	$S_t$	Adjusted Underlying Stock Performance
100	200	202	1%

Value of the Certificate (t-1)	Value of the Certificate (t)	Certificates' performance (excluding any cost and fees)
0.50	0.475	-5%

In such case an Intraday Restrike Event would occur if the Underlying Stock price rises to \$230, which is 15% above \$200, the Underlying Stock Reference Price.

### 3. Rights Issues

Assuming there is a rights issue with respect to the Underlying Stock, with a right to receive 1 new Share for every 2 existing Shares, for a subscription price of \$40.

$$S_{t-1} = \$100$$

$$S_t = \$84$$

$$Div_t = \$0$$

$$DivExc_t = \$0$$

$$R = \$40 \text{ (i.e. subscription price of \$40)}$$

$$M = 0.5 \text{ (i.e. 1 new share for every 2 existing shares)}$$

$$Rfactor_t = \left[ 1 - \frac{0 + 0 - 0.5 \times 40}{100} \right] \times \frac{1}{1 + 0.5} = 80\%$$

As a consequence:

$$LR_{t-1,t} = \text{Leverage} \times \left( \frac{S_t}{S_{t-1} \times Rfactor_t} - 1 \right) = -5 \times \left( \frac{84}{100 \times 80\%} - 1 \right) = -25\%$$

$S_{t-1}$	$S_{t-1} \times Rfactor_t$	$S_t$	Adjusted Underlying Stock Performance
100	80	84	5%

Value of the Certificate (t-1)	Value of the Certificate (t)	Certificates' performance (excluding any cost and fees)
0.50	0.375	-25%

In such case an Intraday Restrike Event would occur if the Underlying Stock price rises to \$92, which is 15% above \$80, the Underlying Stock Reference Price.



#### 4. Bonus Issues

Assuming there is a bonus issue with respect to the Underlying Stock, where shareholders receive 1 bonus share for 5 existing shares:

$$S_{t-1} = \$100$$

$$S_t = \$85$$

$$\text{Div}_t = \$0$$

$$\text{DivExc}_t = \$0$$

$$R = \$0$$

$$M = 0.2 \text{ (i.e. 1 new share for 5 existing shares)}$$

$$Rfactor_t = \left[ 1 - \frac{0 + 0 - 0.2 \times 0}{100} \right] \times \frac{1}{1 + 0.2} = 83.33\%$$

As a consequence:

$$LR_{t-1,t} = \text{Leverage} \times \left( \frac{S_t}{S_{t-1} \times Rfactor_t} - 1 \right) = -5 \times \left( \frac{85}{100 \times 83.33\%} - 1 \right) = -10\%$$

$S_{t-1}$	$S_{t-1} \times Rfactor_t$	$S_t$	Adjusted Underlying Stock Performance
100	83.33	85	2%

Value of the Certificate (t-1)	Value of the Certificate (t)	Certificates' performance (excluding any cost and fees)
0.50	0.45	-10%

In such case an Intraday Restrike Event would occur if the Underlying Stock price rises to \$95.83, which is 15% above \$83.33, the Underlying Stock Reference Price.

#### 5. Extraordinary Dividend

Assuming there is an extraordinary dividend of \$20 (net of taxes) paid in respect of each stock.

$$S_{t-1} = \$100$$

$$S_t = \$84$$

$$\text{Div}_t = \$0$$

$$\text{DivExc}_t = \$20$$

$$R = \$0$$

$$M = 0$$

$$Rfactor_t = \left[ 1 - \frac{0 + 20 - 0 \times 0}{100} \right] \times \frac{1}{1 + 0} = 80\%$$

As a consequence:

$$LR_{t-1,t} = \text{Leverage} \times \left( \frac{S_t}{S_{t-1} \times Rfactor_t} - 1 \right) = -5 \times \left( \frac{84}{100 \times 80\%} - 1 \right) = -25\%$$

$S_{t-1}$	$S_{t-1} \times Rfactor_t$	$S_t$	Adjusted Underlying Stock Performance
100	80	84	5%

Value of the Certificate (t-1)	Value of the Certificate (t)	Certificates' performance (excluding any cost and fees)
0.50	0.375	-25%

In such case an Intraday Restrike Event would occur if the Underlying Stock price rises to \$92, which is 15% above \$80, the Underlying Stock Reference Price.

## INFORMATION RELATING TO THE COMPANY

*All information contained in this document regarding the Company, including, without limitation, its financial information, is derived from publicly available information which appears on the web-site of Hong Kong Exchanges and Clearing Limited (the “HKExCL”) at <http://www.hkex.com.hk> and/or the Company’s web-site at <https://www.wuxibiologics.com/>. The Issuer has not independently verified any of such information.*

WuXi Biologics (Cayman) Inc. (the “**Company**”) is an investment holding company principally engaged in provision of discovery, development and manufacturing services of biologics. Through fully-integrated biologics Contract Research, Development and Manufacturing Organization (CRDMO), the Company provides one-stop end-to-end biologics services. Biologics development process stages include pre-IND (drug discovery and pre-clinical development), early-phase (phases I & II) clinical development, late-phase (phase III) clinical development and commercial manufacturing. The Company also offers end-to-end vaccine CRDMO services, including vaccine discovery and development, scale-up commercial manufacturing and global distribution. The Company has WuXiBody bispecific antibody platform, SDArBody multispecific antibody platform, WuXia cell line development platform, WuXiUP continuous manufacturing platform and mRNA vaccine platform. The Company mainly operates its businesses in the domestic and overseas markets.

The information set out in the Appendix to this document relates to the audited consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2022 and has been extracted and reproduced from an announcement by the Company released on 27 April 2023 in relation to the same. Further information relating to the Company may be located on the web-site of the HKExCL at <http://www.hkex.com.hk>.

## INFORMATION RELATING TO THE DESIGNATED MARKET MAKER

Société Générale has been appointed the designated market maker (“**DMM**”) for the Certificates. The DMM will provide competitive buy and sell quotes for the Certificates continuously during the trading hours of the SGX-ST on the following basis:

- (a) Maximum bid and offer spread : (i) when the best bid price of the Certificate is S\$10 and below: 10 ticks or S\$0.20 whichever is greater; and  
(ii) when the best bid price of the Certificate is above S\$10: 5% of the best bid price of the Certificate.
- (b) Minimum quantity subject to bid and offer spread : 10,000 Certificates
- (c) Last Trading Day for Market Making : The date falling 5 Exchange Business Days immediately preceding the Expiry Date

In addition, the DMM may not provide a quotation in the following circumstances:

- (i) during the pre-market opening and five minutes following the opening of the SGX-ST on any trading day;
- (ii) if the Certificates are valueless (where the Issuer’s bid price is below the minimum bid size for such securities as prescribed by the SGX-ST);
- (iii) before the Relevant Stock Exchange for the Underlying Stock has opened and after the Relevant Stock Exchange for the Underlying Stock has closed on any trading day;
- (iv) when trading in the Underlying Stock is suspended or limited in a material way for any reason, for the avoidance of doubt, the DMM is not obliged to provide quotations for the Certificates at any time when the Underlying Stock is not negotiated/traded for any reason;
- (v) where the Certificates are suspended from trading for any reason;
- (vi) market disruption events, including, without limitation, any suspension of or limitation imposed on trading (including but not limited to unforeseen circumstances such as by reason of movements in price exceeding limits permitted by the SGX-ST or any act of God, war, riot, public disorder, explosion, terrorism or otherwise) in the Underlying Stock;
- (vii) where the Issuer or the DMM faces technical problems affecting the ability of the DMM to provide bids and offer quotations;
- (viii) where the ability of the Issuer to source a hedge or unwind an existing hedge, as determined by the Issuer in good faith, is materially affected by the prevailing market conditions, and the Issuer informs the SGX-ST of its inability to do so as soon as practicable;
- (ix) in cases where the Issuer has no Certificates to sell, then the DMM will only provide the bid price;
- (x) if the stock market experiences exceptional price movement and volatility;

- (xi) when it is a public holiday in Singapore and/or Hong Kong and/or the SGX-ST and/or the HKEX are not open for dealings; and
- (xii) during the suspension of trading of Certificates after an Air Bag Mechanism has been triggered.

The last trading day on which the DMM will provide competitive quotations for the Certificates would be the fifth Exchange Business Day immediately preceding the Expiry Date.

## SUPPLEMENTAL GENERAL INFORMATION

The information set out herein is supplemental to, and should be read in conjunction with, the information set out on page 108 of the Base Listing Document.

1. Save as disclosed in this document and the Base Listing Document, neither the Issuer nor the Guarantor is involved in any legal or arbitration proceedings (including any proceedings which are pending or threatened of which the Issuer or the Guarantor is aware) which may have or have had in the previous 12 months a significant effect on the financial position of the Issuer or the Guarantor in the context of the issuance of the Certificates.
2. Settlement of trades done on a normal “ready basis” on the SGX-ST generally take place on the second Business Day following the transaction. Dealing in the Certificates will take place in Board Lots in Singapore dollars. For further details on the transfer of Certificates and their exercise, please refer to the section headed “Summary of the Issue” above.
3. It is not the current intention of the Issuer to apply for a listing of the Certificates on any stock exchange other than the SGX-ST.
4. Save as disclosed in the Base Listing Document and herein, there has been no material adverse change in the financial position or prospects of the Issuer since 31 December 2022 or the Guarantor since 31 March 2023, in the context of the issuance of Certificates hereunder.
5. The following contracts, relating to the issue of the Certificates, have been or will be entered into by the Issuer and/or the Guarantor and may be material to the issue of the Certificates:
  - (a) the Guarantee;
  - (b) the Master Instrument; and
  - (c) the Master Warrant Agent Agreement.

None of the directors of the Issuer and the Guarantor has any direct or indirect interest in any of the above contracts.

6. The reports of the Auditors of the Issuer and the Guarantor were not prepared exclusively for incorporation into this document.

The Auditors of the Issuer and the Guarantor have no shareholding in the Issuer or the Guarantor or any of its subsidiaries, nor do they have the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of the Issuer or the Guarantor or any of its subsidiaries.

7. The Certificates are not fully covered by the Underlying Stock held by Issuer or a trustee for and on behalf of the Issuer. The Issuer has appropriate risk management capabilities to manage the issue of the Certificates.
8. Société Générale, Singapore Branch, currently of 8 Marina Boulevard, #12-01 Marina Bay Financial Centre Tower 1, Singapore 018981, has been authorised to accept, on behalf of the Issuer and the Guarantor, service of process and any other notices required to be served on the Issuer or the Guarantor. Any notices required to be served on the Issuer or the Guarantor should be sent to Société Générale at the above address for the attention of Société Générale Legal Department.

9. Copies of the following documents may be inspected during usual business hours on any weekday (Saturdays, Sundays and holidays excepted) at the offices of Société Générale, Singapore Branch at 8 Marina Boulevard, #12-01 Marina Bay Financial Centre Tower 1, Singapore 018981, during the period of 14 days from the date of this document:
- (a) the Memorandum and Articles of Association of the Issuer and the Constitutional Documents of the Guarantor;
  - (b) the latest financial reports (including the notes thereto) of the Issuer;
  - (c) the latest financial reports (including the notes thereto) of the Guarantor;
  - (d) the Base Listing Document;
  - (e) this document; and
  - (f) the Guarantee.

## **PLACING AND SALE**

### **General**

No action has been or will be taken by the Issuer that would permit a public offering of the Certificates or possession or distribution of any offering material in relation to the Certificates in any jurisdiction where action for that purpose is required. No offers, sales or deliveries of any Certificates, or distribution of any offering material relating to the Certificates may be made in or from any jurisdiction except in circumstances which will result in compliance with any applicable laws or regulations and will not impose any obligation on the Issuer. In the event that the Issuer contemplates a placing, placing fees may be payable in connection with the issue and the Issuer may at its discretion allow discounts to placees.

Each Certificate Holder undertakes that it will inform any subsequent purchaser of the terms and conditions of the Certificates and all such subsequent purchasers as may purchase such securities from time to time shall be deemed to be a Certificate Holder for the purposes of the Certificates and shall be bound by the terms and conditions of the Certificates.

### **Singapore**

This document has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this document and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of Certificates may not be circulated or distributed, nor may Certificates be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than pursuant to, and in accordance with the conditions of, any applicable provision of the Securities and Futures Act 2001 of Singapore.

### **Hong Kong**

Each dealer has represented and agreed, and each further dealer appointed in respect of the Certificates and each other purchaser will be required to represent and agree, that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Certificates (except for Certificates which are a "structured product" as defined in the Securities and Futures Ordinance (Cap.571) of Hong Kong ("SFO")) other than (i) to "professional investors" as defined in the SFO and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a "prospectus", as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong ("CWUMPO") or which do not constitute an offer to the public within the meaning of the CWUMPO; and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Certificates, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Certificates which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

### **European Economic Area**

Each dealer represents and agrees, and each further dealer appointed in respect of the Certificates will be required to represent and agree, that it has not offered, sold or otherwise made



available and will not offer, sell, or otherwise make available any Certificates which are the subject of the offering as contemplated by this document to any retail investor in the European Economic Area. For the purposes of this provision:

- (a) the expression “**retail investor**” means a person who is one (or more) of the following:
  - (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”); or
  - (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the Insurance Distribution Directive), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
  - (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended and superseded, the Prospectus Regulation); and
- (b) the expression “**offer**” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Certificates to be offered so as to enable an investor to decide to purchase or subscribe for the Certificates.

### United Kingdom

Each dealer represents and agrees, and each further dealer appointed in respect of the Certificates will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Certificates which are the subject of the offering as contemplated by this document to any retail investor in the United Kingdom. For the purposes of this provision:

- (a) the expression “**retail investor**” means a person who is one (or more) of the following:
  - (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (“**EUWA**”); or
  - (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act, as amended (the “**FSMA**”) and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or
  - (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA; and
- (b) the expression an “**offer**” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Certificates to be offered so as to enable an investor to decide to purchase or subscribe for the Certificates.

Each dealer further represents and agrees, and each further dealer appointed in respect of the Certificates will be required to further represent and agree, that:

- (a) in respect to Certificates having a maturity of less than one year: (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and (ii) it has not offered or sold and will not offer or sell any Certificates other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of

investments (as principal or agent) for the purposes of their businesses where the issue of the Certificates would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Certificates in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Certificates in, from or otherwise involving the United Kingdom.

## United States

The Certificates and the Guarantee have not been and will not be registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”) or any state securities law, and trading in the Certificates has not been approved by the United States Commodity Futures Trading Commission (the “**CFTC**”) under the United States Commodity Exchange Act of 1936, as amended (the “**Commodity Exchange Act**”) and the Issuer has not been and will not be registered as an investment company under the United States Investment Company Act of 1940, as amended, and the rules and regulations thereunder. None of the Securities and Exchange Commission, any state securities commission or regulatory authority or any other United States, French or other regulatory authority has approved or disapproved of the Certificates or the Guarantee or passed upon the accuracy or adequacy of this document. Accordingly, Certificates, or interests therein, may not at any time be offered, sold, resold, traded, pledged, exercised, redeemed, transferred or delivered, directly or indirectly, in the United States or to, or for the account or benefit of, U.S. persons, nor may any U.S. person at any time trade, own, hold or maintain a position in the Certificates or any interests therein. In addition, in the absence of relief from the CFTC, offers, sales, re-sales, trades, pledges, exercises, redemptions, transfers or deliveries of Certificates, or interests therein, directly or indirectly, in the United States or to, or for the account or benefit of, U.S. persons, may constitute a violation of United States law governing commodities trading and commodity pools. Consequently, any offer, sale, resale, trade, pledge, exercise, redemption, transfer or delivery made, directly or indirectly, within the United States or to, or for the account or benefit of, a U.S. person will not be recognised.

Each dealer has represented and agreed, and each further dealer will be required to represent and agree, that it has not and will not at any time offer, sell, resell, trade, pledge, exercise, redeem, transfer or deliver, directly or indirectly, Certificates in the United States or to, or for the account or benefit of, any U.S. person or to others for offer, sale, resale, trade, pledge, exercise, redeem, transfer or delivery, directly or indirectly, in the United States or to, or for the account or benefit of, any such U.S. person. Any person purchasing Certificates of any tranches must agree with the relevant dealer or the seller of such Certificates that (i) it is not a U.S. Person, (ii) it will not at any time offer, sell, resell, trade, pledge, exercise, redeem, transfer or deliver, directly or indirectly, any Certificates in the United States or to, or for the account or benefit of, any U.S. person or to others for offer, sale, resale, trade, pledge, exercise, redemption, transfer or delivery, directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. person, and (iii) it is not purchasing any Certificates, directly or indirectly, in the United States or for the account or benefit of any U.S. person.

Exercise or otherwise redemption of Certificates will be conditional upon certification that each person exercising or otherwise redeeming a Certificate is not a U.S. person or in the United States and that the Certificate is not being exercised or otherwise redeemed on behalf of a U.S. person. No payment will be made to accounts of holders of the Certificates located in the United States.

As used in the preceding paragraphs, the term “**United States**” includes the territories, the possessions and all other areas subject to the jurisdiction of the United States of America, and the term “**U.S. person**” means any person who is (i) a U.S. person as defined under Regulation S under the Securities Act, (ii) a U.S. person as defined in paragraph 7701(a)(30) of the Internal Revenue Code of 1986, or (iii) a person who comes within any definition of U.S. person for the purposes of the United States Commodity Exchange Act of 1936, as amended (the “**CEA**”) or any rules thereunder of the CFTC (the “**CFTC Rules**”), guidance or order proposed or issued under the CEA (for the avoidance of doubt, any person who is not a “Non-United States person” defined under CFTC Rule 4.7(a)(1)(iv), but excluding, for purposes of subsection (D) thereof, the exception for qualified eligible persons who are not “Non-United States persons”, shall be considered a U.S. person).

## **APPENDIX**

### **REPRODUCTION OF THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 OF WUXI BIOLOGICS (CAYMAN) INC. AND ITS SUBSIDIARIES**

The information set out below is a reproduction of the audited consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2022 and has been extracted and reproduced from an announcement by the Company released on 27 April 2023 in relation to the same.

# Independent Auditor's Report

**Deloitte.**

**德勤**

**TO THE SHAREHOLDERS OF WUXI BIOLOGICS (CAYMAN) INC.**  
(incorporated in the Cayman Islands with limited liability)

## Opinion

We have audited the consolidated financial statements of WuXi Biologics (Cayman) Inc. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 112 to 283, which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

# Independent Auditor's Report

Key audit matter	How our audit addressed the key audit matter
<b>Revenue recognition for research services on fee-for-service ("FFS") basis and commercial manufacturing organization ("CMO") included in sales of goods</b>	
<p>As disclosed in Note 5 to the consolidated financial statements, for the year ended December 31, 2022, revenue of the Group in total was RMB15,269 million, of which RMB14,742 million was derived from research services on FFS basis and sales of goods on CMO basis representing 96.5% total revenue.</p> <p>The management of the Group identified performance obligations in the contracts with customers and recognized revenue when control of the goods or services underlying the particular performance obligation is transferred to the customers. To a certain degree the identification and measurement of different components as distinct performance obligations were subject to management's judgement and interpretation on the terms of the contracts, which gave rise to the risk that revenue could be misstated due to the incorrect identification of particular performance obligation, resulting in an inappropriate timing on recognition of revenue. Therefore, we identified occurrence and cut-off assertions of revenue recognition for research services on FFS basis and sales of goods on CMO basis as a key audit matter.</p>	<p>Our procedures in relation to the revenue recognition for research services on FFS basis and sales of goods on CMO basis included:</p> <ul style="list-style-type: none"><li>• Understanding key controls related to occurrence and cut-off assertions of revenue recognition for research services on FFS basis and sales of goods on CMO basis and evaluating the design and implementation and operating effectiveness of these controls;</li><li>• Inquiring the management of the Group and examining the contract terms of for FFS basis and CMO basis, on sampling basis, to evaluate the appropriateness of the identification of each performance obligation and the timing of revenue recognition determined by the management in accordance with IFRS 15 <i>Revenue from Contracts with Customers</i>;</li><li>• Selecting samples from recorded sales transactions from research services on FFS basis and sales of goods on CMO basis and examining evidences supporting the transfer of control of services or goods;</li><li>• Testing, on sampling basis, revenue recognized for research services on FFS basis and sales of goods on CMO basis taking place before and after year-end and trace to evidences supporting the transfer of control of services or goods to determine that the revenue is recognized in the correct accounting period.</li></ul>

# Independent Auditor's Report

Key audit matter	How our audit addressed the key audit matter
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## Impairment assessment on goodwill

As set out in Note 16 to the consolidated financial statements, the carrying amount of goodwill amounted to RMB1,529,914,000 which arose from the acquisitions of Bestchrom, CMAB Group, and Payload and Linker Business (as defined in note 16) in previous years. Details of the related accounting policies and carrying value of goodwill are set out in Notes 3 and 16 to the consolidated financial statements.

The management assessed the impairment of goodwill by estimation of recoverable amount of cash-generating units ("CGUs") based on value-in-use calculation, which requires the management to estimate the future cash flows expected to arise from the CGUs and an appropriate discount rate. The cash flow projections are made based on financial budgets prepared by management based on past performance and management's expectation for the market development of respective CGUs. Key assumptions involved in the cash flow projections include revenue growth rate, discount rate and long-term growth rate.

We identified the impairment assessment on goodwill as a key audit matter as the value-in-use calculations required significant management estimations with respect to the key assumptions adopted in the underlying cash flows of CGUs to which goodwill have been allocated.

Our procedures in relation to the goodwill included:

- Understanding the management process and the key controls in impairment assessment of goodwill and the preparation of the cash flow projections, including the key assumptions and inputs;
- Evaluating the appropriateness of model used by the management in the value-in-use calculations;
- Evaluating the reasonableness of the key assumptions used in the value-in-use calculations, including revenue growth rate, discount rate and long-term growth rate, and data maintained in the assessment;
- Evaluating the accuracy of historical cash flows forecast by comparing them to actual results in the current year;
- Evaluating the reasonableness of the sensitivity analysis provided by the management of the Group to assess the extent of impact on the value-in-use; and
- Assessing the appropriateness of the disclosures regarding the impairment assessment on goodwill.



# Independent Auditor's Report

## Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



# Independent Auditor's Report

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

# Independent Auditor's Report

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Leung, David.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong

March 22, 2023

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended December 31, 2022

	NOTES	2022 RMB'000	2021 RMB'000
Revenue	5	15,268,660	10,290,050
Cost of sales		(8,544,646)	(5,461,153)
Gross profit		6,724,014	4,828,897
Other income	6	305,454	196,605
Impairment losses, under expected credit loss model, net of reversal	9	(258,525)	(156,667)
Other gains and losses	7	766,533	665,637
Selling and marketing expenses		(162,913)	(124,647)
Administrative expenses		(1,269,592)	(875,932)
Research and development expenses		(682,818)	(501,583)
Financing costs	8	(64,382)	(39,191)
Profit before tax	9	5,357,771	3,993,119
Income tax expense	10	(807,865)	(484,538)
Profit for the year		4,549,906	3,508,581
<b>Other comprehensive (expense) income</b>			
<i>Item that will not be reclassified to profit or loss:</i>			
Fair value loss on investments in equity instruments at fair value through other comprehensive income ("FVTOCI")		(59,731)	(29,819)
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		143,151	(572,280)
Fair value loss on hedging instruments designated in cash flow hedges, net foreign investment hedges and time value within fair value hedges, net of income tax		(233,710)	(116,506)
Other comprehensive expense for the year		(150,290)	(718,605)
Total comprehensive income for the year		4,399,616	2,789,976

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended December 31, 2022

	NOTE	2022 RMB'000	2021 RMB'000
<b>Profit for the year attributable to:</b>			
Owners of the Company		4,420,286	3,388,478
Non-controlling interests		129,620	120,103
		<u>4,549,906</u>	<u>3,508,581</u>
<b>Total comprehensive income for the year attributable to:</b>			
Owners of the Company		4,262,390	2,697,354
Non-controlling interests		137,226	92,622
		<u>4,399,616</u>	<u>2,789,976</u>
		RMB	RMB
Earnings per share — Basic	12	<u>1.06</u>	<u>0.81</u>
— Diluted	12	<u>1.01</u>	<u>0.77</u>

# Consolidated Statement of Financial Position

At December 31, 2022

	NOTES	2022 RMB'000	2021 RMB'000
<b>Non-current Assets</b>			
Property, plant and equipment	14	24,170,739	18,065,495
Right-of-use assets	15	1,745,259	1,690,301
Goodwill	16	1,529,914	1,529,914
Intangible assets	19	548,778	600,654
Investment of an associate measured at fair value through profit or loss ("FVTPL")	17	1,581,565	752,275
Equity instruments at FVTOCI	20	41,470	94,413
Financial assets at FVTPL	21	1,086,176	1,356,134
Finance lease receivables	22	109,171	124,485
Derivative financial assets	31	—	10,942
Deferred tax assets	18	222,568	220,787
Other long-term deposits and prepayments	23	58,877	57,482
		<b>31,094,517</b>	<b>24,502,882</b>
<b>Current Assets</b>			
Inventories	24	2,280,911	1,687,375
Finance lease receivables	22	14,166	13,564
Trade and other receivables	26	5,610,363	4,857,319
Contract assets	27	493,566	132,545
Contract costs	25	1,096,480	1,005,470
Tax recoverable		33,442	9,436
Derivative financial assets	31	201,243	479,557
Financial assets at FVTPL	21	2,014,632	975,578
Pledged bank deposits	28	25,374	217,991
Time deposits	28	304,469	1,147,626
Bank balances and cash	28	6,395,222	9,003,280
		<b>18,469,868</b>	<b>19,529,741</b>
<b>Current Liabilities</b>			
Trade and other payables	29	3,269,182	3,697,819
Borrowings	32	1,321,430	2,121,895
Contract liabilities	30	3,379,372	1,733,799
Income tax payable		773,825	557,725
Lease liabilities	33	149,058	103,561
Derivative financial liabilities	31	425,730	40,890
		<b>9,318,597</b>	<b>8,255,689</b>
<b>Net Current Assets</b>		<b>9,151,271</b>	<b>11,274,052</b>
<b>Total Assets less Current Liabilities</b>		<b>40,245,788</b>	<b>35,776,934</b>

# Consolidated Statement of Financial Position

At December 31, 2022

	NOTES	2022 RMB'000	2021 RMB'000
<b>Non-current Liabilities</b>			
Deferred tax liabilities	18	132,076	124,211
Borrowings	32	1,461,563	640,513
Contract liabilities	30	711,541	652,598
Lease liabilities	33	1,489,610	1,429,318
Deferred income	34	237,921	224,128
		<u>4,032,711</u>	<u>3,070,768</u>
<b>Net Assets</b>		<u>36,213,077</u>	<u>32,706,166</u>
<b>Capital and Reserves</b>			
Share capital	35	233	235
Reserves		<u>35,047,174</u>	<u>32,278,358</u>
Equity attributable to owners of the Company		<u>35,047,407</u>	<u>32,278,593</u>
Non-controlling interests		<u>1,165,670</u>	<u>427,573</u>
<b>Total Equity</b>		<u>36,213,077</u>	<u>32,706,166</u>

The consolidated financial statements on pages 112 to 283 were approved and authorized for issue by the Board of Directors on March 22, 2023 and are signed on its behalf by:

**Zhisheng Chen**  
DIRECTOR

**Weichang Zhou**  
DIRECTOR



# Consolidated Statement of Changes In Equity

For the year ended December 31, 2022

	Attributable to owners of the Company												Total RMB'000
	Share capital RMB'000	Treasury stock RMB'000	Share premium RMB'000	Statutory reserve RMB'000 (note i)	Equity-settled share-based compensation reserve RMB'000 (note ii)	Hedging reserve RMB'000	FVTOCI reserve RMB'000	Group reorganization reserve RMB'000 (note iii)	Foreign currency translation reserve RMB'000	Retained earnings RMB'000	Sub-total RMB'000	Non- controlling interests RMB'000	
At January 1, 2021	225	—	15,949,665	333,657	640,531	241,720	(2,686)	(4,636)	(29,744)	3,435,713	20,564,445	334,951	20,899,396
Profit for the year	—	—	—	—	—	—	—	—	—	3,388,478	3,388,478	120,103	3,508,581
Other comprehensive income for the year													
— Fair value adjustments on hedges	—	—	—	—	—	341,385	—	—	—	—	341,385	—	341,385
— Recycling from hedging reserve to profits or loss	—	—	—	—	—	(457,891)	—	—	—	—	(457,891)	—	(457,891)
— Fair value change of equity instruments FVTOCI	—	—	—	—	—	—	(29,819)	—	—	—	(29,819)	—	(29,819)
— Exchange differences arising from translation of foreign operations	—	—	—	—	—	—	—	—	(544,799)	—	(544,799)	(27,481)	(572,280)
Total comprehensive (expense) income for the year	—	—	—	—	—	(116,506)	(29,819)	—	(544,799)	3,388,478	2,697,354	92,622	2,789,976
Transfer to statutory reserve	—	—	—	303,650	—	—	—	—	—	(303,650)	—	—	—
Recognition of equity-settled share-based compensation	—	—	—	—	577,952	—	—	—	—	—	577,952	—	577,952
Exercise of pre-IPO share options and vest of restricted shares	3	—	195,810	—	(138,885)	—	—	—	—	—	56,928	—	56,928
Issue of new shares (Note 35)	7	—	10,977,731	—	—	—	—	—	—	—	10,977,738	—	10,977,738
Transaction costs attributable to issue of new shares	—	—	(78,709)	—	—	—	—	—	—	—	(78,709)	—	(78,709)
Repurchase of shares	—	(2,517,115)	—	—	—	—	—	—	—	—	(2,517,115)	—	(2,517,115)
At December 31, 2021	235	(2,517,115)	27,044,497	637,307	1,079,598	125,214	(32,505)	(4,636)	(574,543)	6,520,541	32,278,593	427,573	32,706,166
Profit for the year	—	—	—	—	—	—	—	—	—	4,420,286	4,420,286	129,620	4,549,906
Other comprehensive income for the year													
— Fair value adjustments on hedges	—	—	—	—	—	(499,678)	—	—	—	—	(499,678)	(1,106)	(500,784)
— Recycling from hedging reserve to profits or loss	—	—	—	—	—	294,205	—	—	—	—	294,205	(1,864)	292,341
— Fair value change of equity instruments FVTOCI	—	—	—	—	—	—	(59,731)	—	—	—	(59,731)	—	(59,731)
— Fair value adjustments on hedges of net investments in foreign operations	—	—	—	—	—	—	—	—	(25,267)	—	(25,267)	—	(25,267)
— Exchange differences arising from translation of foreign operations	—	—	—	—	—	—	—	—	132,575	—	132,575	10,576	143,151
Total comprehensive (expense) income for the year	—	—	—	—	—	(205,473)	(59,731)	—	107,308	4,420,286	4,262,390	137,226	4,399,616

# Consolidated Statement of Changes In Equity

For the year ended December 31, 2022

	Attributable to owners of the Company												Total RMB'000
	Share capital RMB'000	Treasury stock RMB'000	Share premium RMB'000	Statutory reserve RMB'000 <i>(note i)</i>	Equity-settled share-based compensation reserve RMB'000 <i>(note ii)</i>	Hedging reserve RMB'000	FVTOCI reserve RMB'000	Group reorganization reserve RMB'000 <i>(note iii)</i>	Foreign currency translation reserve RMB'000	Retained earnings RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	
Transfer to statutory reserve	—	—	—	424,714	—	—	—	—	—	(424,714)	—	—	—
Recognition of equity-settled share-based compensation	—	—	—	—	1,274,698	—	—	—	—	—	1,274,698	22,061	1,296,759
Exercise of pre-IPO share options and vest of restricted shares	1	—	379,095	—	(342,916)	—	—	—	—	—	36,180	—	36,180
Issue of new shares <i>(Note 35)</i>	2	—	(2)	—	—	—	—	—	—	—	—	—	—
Capital injection by non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	579,939	579,939
Cancellation of treasury stock	(5)	5,321,569	(5,321,564)	—	—	—	—	—	—	—	—	—	—
Repurchase of shares	—	(2,804,454)	—	—	—	—	—	—	—	—	(2,804,454)	—	(2,804,454)
Deemed distribution to a non-controlling shareholder arising from reorganization	—	—	—	—	—	—	—	—	—	—	—	(1,129)	(1,129)
At December 31, 2022	233	—	22,102,026	1,062,021	2,011,380	(80,259)	(92,236)	(4,636)	(467,235)	10,516,113	35,047,407	1,165,670	36,213,077

## Notes:

- i. In accordance with the Articles of Association of all subsidiaries of WuXi Biologics (Cayman) Inc. (the "Company") established in the People's Republic of China (the "PRC"), they are required to transfer 10% of the profit after tax to the statutory reserve until the reserve reaches 50% of their registered capital. Transfer to this reserve must be made before distributing dividends to equity holders. The statutory reserve can be used to make up for previous years' losses, expand the existing operations or convert into additional capital of the subsidiaries.
- ii. The amount represents the equity-settled share-based compensation attributable to owners of the Company in respect of:
  - (a) the share options for shares of WuXi PharmaTech (Cayman) Inc. ("WuXi PharmaTech"), the then ultimate holding company of the Company before completing the group reorganization of the Company (see note iii below), granted by WuXi PharmaTech to certain directors and employees of the Company and its subsidiaries (collectively referred to as the "Group") for their services rendered to the Group;
  - (b) the equity-settled share-based compensation under the Company's pre-IPO share option scheme (the "Pre-IPO Share Option Scheme");
  - (c) the Company's restricted share award scheme (the "Restricted Share Award Scheme");
  - (d) the Company's global partner program share scheme (the "Global Partner Program Share Scheme"); and
  - (e) the share option schemes of the Company's subsidiaries (the "Subsidiary Share Option Scheme").
- iii. Group reorganization reserve represents the combined capital contribution of the entities comprising the Group, net of the settlement of the payables to their then shareholders; and the administration service cost borne or on behalf of the fellow subsidiaries by the Company prior to the completion of a group reorganization to rationalize the current group structure as at December 31, 2015.



# Consolidated Statement of Cash Flows

For the year ended December 31, 2022

	2022 RMB'000	2021 RMB'000
OPERATING ACTIVITIES		
Profit before tax	5,357,771	3,993,119
Adjustments for:		
Financing costs	64,382	39,191
Interest income from banks and other financial assets at amortized cost	(107,475)	(58,026)
Depreciation for property, plant and equipment	661,564	404,573
Depreciation of right-of-use assets	82,044	29,541
Amortization of intangible assets	57,066	47,669
Impairment loss, net of reversal		
— trade and other receivables	241,706	153,955
— contract assets	16,819	2,712
Write down of inventories, net of reversal	2,208	220,561
Write down of contract costs	32,360	90,488
Net foreign exchange (gain) loss	(190,939)	12,319
Share-based compensation expense	1,234,383	531,923
Income from research and other grants	(29,649)	(26,292)
Gain on fair value changes of wealth management products	(26,559)	(60,853)
Loss (gain) on fair value changes of equity investments at FVTPL	457,020	(238,534)
Gain on fair value changes of investment of an associate measured at FVTPL	(809,898)	(366,053)
Loss (gain) on fair value changes of derivative financial instruments	48,046	(32,593)
Dividend income from an equity instrument at FVTOCI	(8,315)	—
Loss on disposal of property, plant and equipment	19,273	870
Operating cash flows before movements in working capital	7,101,807	4,744,570
Increase in inventories	(498,122)	(783,185)
Increase in contract costs	(94,356)	(548,364)
Increase in trade and other receivables	(1,123,007)	(1,329,724)
Increase in contract assets	(376,930)	(111,188)
Increase in other long-term deposits	(5,782)	(3,409)
Increase in contract liabilities	1,635,338	1,061,585
(Decrease) increase in trade and other payables	(509,019)	741,847
(Decrease) increase in deferred income	(2,594)	9,112
Cash generated from operations	6,127,335	3,781,244
Income tax paid	(585,662)	(349,986)
NET CASH FROM OPERATING ACTIVITIES	5,541,673	3,431,258

# Consolidated Statement of Cash Flows

For the year ended December 31, 2022

	2022 RMB'000	2021 RMB'000
INVESTING ACTIVITIES		
Proceeds on disposal of property, plant and equipment	20,125	80,856
Purchases of property, plant and equipment	(5,868,390)	(6,507,803)
Payment for consideration payables for acquisition of a subsidiary in prior year	(281,040)	(19,010)
Net cash outflow on acquisition of subsidiaries	—	(2,161,594)
Repayment of payment for potential acquisition	149,555	—
Payment for deemed distribution to a non-controlling shareholder arising from reorganization	(1,129)	—
Payments for right-of-use assets	—	(15,311)
Payments for rental deposits	—	(21,317)
Acquisition of investment of an associate measured at FVTPL	—	(354,526)
Research and other grants received	44,783	32,302
Withdrawal of pledged bank deposits	206,352	320,922
Placement of pledged bank deposits	(13,474)	(17,960)
Dividends received from an equity instrument at FVTOCI	8,315	—
Withdrawal of financial assets at FVTPL	8,969,747	56,965,048
Placement of financial assets at FVTPL	(10,098,514)	(58,135,876)
Receipt of interest from banks	112,593	67,992
Withdrawal of time deposits	1,515,293	1,261,582
Placement of time deposits	(639,770)	(1,164,244)
Net settlement of derivative financial instruments	(32,698)	17,269
Repayment for loan to an associate	—	50,000
NET CASH USED IN INVESTING ACTIVITIES	(5,908,252)	(9,601,670)
FINANCING ACTIVITIES		
Proceeds from bank borrowings	2,389,197	675,284
Repayments of bank borrowings	(2,563,130)	(728,267)
Interest paid	(108,239)	(83,200)
Repayments of lease liabilities	(121,085)	(93,843)
Proceeds from issue of ordinary shares	—	10,977,738
Transaction costs attributable to issue of shares	—	(78,709)
Proceeds from exercise of pre-IPO share options	36,180	57,571
Capital injection by non-controlling shareholders	579,939	—
Payment on repurchase of shares	(2,804,454)	(2,517,115)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(2,591,592)	8,209,459
Effect of foreign exchange rate changes	350,113	(131,502)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(2,608,058)	1,907,545
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	9,003,280	7,095,735
CASH AND CASH EQUIVALENTS AT END OF YEAR, represented by bank balances and cash	6,395,222	9,003,280

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

## 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 since June 13, 2017. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section to the annual report. The Company is an investment holding company. The Group is principally engaged in provision of discovery, development of biologics services and manufacturing of biologics products.

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

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

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

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

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

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

### **2.1 Impacts on application of Amendments to IAS 16 *Property, Plant and Equipment* — *Proceeds before Intended Use***

The Group has applied the amendments for the first time in the current year. The amendments specify that the costs of any item that were produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management (such as samples produced when testing whether the relevant property, plant and equipment is functioning properly) and the proceeds from selling such items should be recognized and measured in the profit or loss in accordance with applicable standards. The cost of the items are measured in accordance with IAS 2 *Inventories*.

In accordance with the transitional provisions, the Group has applied the new accounting policy retrospectively to property, plant and equipment made available for use on or after the beginning of January 1, 2021. The application of the amendments in the current year has had no material impact on the Group's financial positions and performance.

### **2.2 Impacts on application of Amendments to IAS 37 *Onerous Contracts* — *Cost of Fulfilling a Contract***

The Group has applied the amendments for the first time in the current year. The amendments specify that, when an entity assesses whether a contract is onerous in accordance with IAS 37, the unavoidable costs under a contract should reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. Costs of fulfilling the contract include incremental costs and an allocation of other costs that relate directly to fulfilling contracts (e.g an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

In accordance with the transitional provisions, the amendments are applicable to contracts for which the Group has not yet fulfilled all its obligations as at the date of initial application, January 1, 2022.

The application of the amendments in the current year has had no material impact on the Group's financial positions and performance.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

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

### New and amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	<i>Insurance Contracts</i> <sup>1</sup>
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>2</sup>
Amendments to IFRS 16	<i>Lease Liability in a Sale and Leaseback</i> <sup>3</sup>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current</i> <sup>3</sup>
Amendments to IAS 1	<i>Non-current Liabilities with Covenants</i> <sup>3</sup>
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i> <sup>1</sup>
Amendments to IAS 8	<i>Definition of Accounting Estimates</i> <sup>1</sup>
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>2</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2024.

Except for the new and amendments to IFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

### **Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction***

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of IAS 12 *Income Taxes* so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

As disclosed in Note 3 to the consolidated financial statements, for leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to the relevant assets and liabilities as a whole. Temporary differences relating to relevant assets and liabilities are assessed on a net basis.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

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

### **New and amendments to IFRSs in issue but not yet effective (Continued)**

#### ***Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Continued)***

Upon the application of the amendments, the Group will recognize 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 differences associated with the right-of-use assets and the lease liabilities.

The amendments are effective for the Group's annual reporting period beginning on January 1, 2023. As at December 31, 2022, the carrying amounts of right-of-use assets and lease liabilities which are subject to the amendments amounted to RMB1,525,653,000 and RMB1,638,668,000 respectively, in which the Group will recognize the related deferred tax assets and deferred tax liabilities of RMB462,101,000 and RMB445,633,000 respectively. The cumulative effect of initially applying the amendments will be recognized as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the earliest comparative period presented.

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

### **3.1 Basis of preparation of consolidated financial statements**

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

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

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

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

### 3.1 Basis of preparation of consolidated financial statements (Continued)

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

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

### 3.2 Significant accounting policies

#### *Basis of consolidation*

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

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

### 3.2 Significant accounting policies (Continued)

#### *Changes in the Group's interests in existing subsidiaries*

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognized. A gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 *Financial Instruments* ("IFRS 9") or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

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

### 3.2 Significant accounting policies (Continued)

#### *Business combinations or asset acquisitions*

##### *Optional concentration test*

The Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

##### *Asset acquisitions*

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognizes the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

##### *Business combinations*

A business is an integrated set of activities and assets which includes an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired processes are considered substantive if they are critical to the ability to continue producing outputs, including an organized workforce with the necessary skills, knowledge, or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs and are considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

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

### 3.2 Significant accounting policies (Continued)

#### *Business combinations or asset acquisitions (Continued)*

##### *Business combinations (Continued)*

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

For business combinations in which the acquisition date is on or after January 1, 2022, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the *Conceptual Framework for Financial Reporting* issued by International Accounting Standards Board in March 2018 (the "Conceptual Framework") except for transactions and events within the scope of IAS 37 or IFRIC 21, in which the Group applies IAS 37 or IFRIC 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognized.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below);
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard; and

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

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

### 3.2 Significant accounting policies (Continued)

#### *Business combinations or asset acquisitions (Continued)*

##### *Business combinations (Continued)*

- lease liabilities are recognized and measured at the present value of the remaining lease payments (as defined in IFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which the lease term ends within 12 months of the acquisition date. Right-of-use assets are recognized and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period (which cannot exceed one year from the acquisition date), and additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

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

### 3.2 Significant accounting policies (Continued)

#### *Goodwill*

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or group of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

#### *Investments in subsidiaries*

Investments in subsidiaries are stated at cost less than any identified impairment loss on the statement of financial position of the Company.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

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

### 3.2 Significant accounting policies (Continued)

#### *Investment of an associate measured at FVTPL*

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. The investment of an associate was made in the form of ordinary shares with preferential rights and measured at financial assets at FVTPL.

#### *Revenue from contracts with customers*

The Group recognizes revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognized over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognized at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

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

### 3.2 Significant accounting policies (Continued)

#### *Revenue from contracts with customers (Continued)*

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

#### *Contracts with multiple performance obligations (including allocation of transaction price)*

For contracts that contain more than one performance obligations (i.e. fee-for-service ("FFS") and commercial manufacturing organization ("CMO") contracts usually have multiple deliverable units, which are generally in the form of technical laboratory reports, samples and/or goods), the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis, except for the allocation of discounts and variable consideration.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

#### *Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation*

The selection of the method to measure progress towards completion requires judgement and is based on the nature of the products or services to be provided. Depending on which better depicts the transfer of value to the customer, the Group measures its progress using either units produced/services transferred to the customer to date (output method) or cost-to-cost (input method).

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

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

### 3.2 Significant accounting policies (Continued)

#### *Revenue from contracts with customers (Continued)*

*Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation (Continued)*

Output method:

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognize revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

As a practical expedient, if the Group has a right to consideration in an amount that corresponds directly with the value of the Group's performance completed to date (for example, service contracts in which the Group bills a fixed amount for each hour of service provided), the Group recognizes revenue in the amount to which the Group has the right to invoice.

Input method:

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognize revenue on the basis of the Group's costs incurred to date to the satisfaction of a performance obligation relative to the total expected costs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

#### *Variable consideration*

For contracts that contain variable consideration (usually in the form of a milestone bonus when the service provided to the customer has reached into a certain stage or delivered a certain result), the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

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

### 3.2 Significant accounting policies (Continued)

#### *Revenue from contracts with customers (Continued)*

##### *Variable consideration (Continued)*

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

Notwithstanding the above criteria, the Group shall recognize revenue for a sales-based or usage-based royalty promised in exchange for a license of intellectual property only when (or as) the later of the following events occurs:

- the subsequent sale or usage occurs; and
- the performance obligation to which some or all of the sales-based or usage-based royalty has been allocated has been satisfied (or partially satisfied).

##### *Existence of significant financing component*

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

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

### 3.2 Significant accounting policies (Continued)

#### *Revenue from contracts with customers (Continued)*

##### *Existence of significant financing component (Continued)*

For advance payments received from customers before the transfer of the associated goods or services in which the Group adjusts for the promised amount of consideration for a significant financing component, the Group applies a discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. The relevant interest expenses during the period between the advance payments were received and the transfer of the associated goods and services are accounted for on the same basis as other borrowing costs.

##### *Principal versus agent*

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognizes revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

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

### 3.2 Significant accounting policies (Continued)

#### *Revenue from contracts with customers (Continued)*

##### *Contract costs*

##### Costs to fulfil a contract

The Group incurs costs to fulfil a contract in its service contracts. The Group first assesses whether these costs qualify for recognition as an asset in terms of other relevant standards, failing which it recognizes an asset for these costs only if they meet all of the following criteria:

- (a) the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;
- (b) the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- (c) the costs are expected to be recovered.

The asset so recognized is subsequently amortized to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate. The asset is also subject to impairment review.

#### *Leases*

##### *Definition of a lease*

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

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

### 3.2 Significant accounting policies (Continued)

#### *Leases (Continued)*

##### *The Group as a lessee*

##### Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Non-lease components are separated from lease component on the basis of their relative stand-alone prices and are accounted for by applying other applicable standards.

##### Short-term leases

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognized as expense on a straight-line basis or another systematic basis over the lease term.

##### Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

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

### 3.2 Significant accounting policies (Continued)

#### *Leases (Continued)*

##### *The Group as a lessee (Continued)*

##### Right-of-use assets (Continued)

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities other than adjustments to lease liabilities resulting from Covid-19-related rent concessions in which the Group applied the practical expedient.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

When the Group obtains ownership of the underlying leased assets at the end of the lease term, upon exercising purchase options, the cost of the relevant right-of-use assets and the related accumulated depreciation and impairment loss are transferred to property, plant and equipment.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

##### Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

##### Lease liabilities

At the commencement date of a lease, the Group recognizes and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

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

### 3.2 Significant accounting policies (Continued)

#### *Leases (Continued)*

##### *The Group as a lessee (Continued)*

##### Lease liabilities (Continued)

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates as at the commencement date. Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognized as expense in the period in which the event or condition that triggers the payment occurs.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

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

### 3.2 Significant accounting policies (Continued)

#### *Leases (Continued)*

##### *The Group as a lessee (Continued)*

##### Lease modifications

Except for Covid-19-related rent concessions in which the Group applied the practical expedient, the Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset.

When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

##### Covid-19-related rent concessions

In relation to rent concessions that occurred as a direct consequence of the Covid-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

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

### 3.2 Significant accounting policies (Continued)

#### *Leases (Continued)*

##### *The Group as a lessee (Continued)*

##### Covid-19-related rent concessions (Continued)

- any reduction in lease payments affects only payments originally due on or before June 30, 2022; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying IFRS 16 if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognized in the profit or loss in the period in which the event occurs.

##### *The Group as a lessor*

##### Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recognized as receivables at commencement date at amounts equal to net investments in the leases, measured using the interest rate implicit in the respective leases. Initial direct costs are included in the initial measurement of the net investments in the leases. Interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognized as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

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

### 3.2 Significant accounting policies (Continued)

#### *Foreign currencies*

In preparing the financial statements of each individual group entity, transactions in currencies other than functional currency of that entity (foreign currencies) are recognized at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. When a fair value gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is also recognized in profit or loss. When a fair value gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is also recognized in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognized in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Renminbi) using exchange rate prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve.

#### *Borrowing costs*

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

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

### 3.2 Significant accounting policies (Continued)

#### *Borrowing costs (Continued)*

Any specific borrowing that remains outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalization rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

#### *Research and other grants*

Research and other grants are accounted for in accordance with IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*. Research and other grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Research and other grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, research and other grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Research and other grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

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

### 3.2 Significant accounting policies (Continued)

#### *Employee benefits*

##### *Retirement benefit costs*

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

##### *Pension obligations*

The Group participates in state-managed retirement benefit schemes, which are defined contribution schemes, pursuant to which the Group pays a fixed percentage of its qualifying staff's wages as contributions to the schemes. Payments to such retirement benefit schemes are charged as an expense when employees have rendered service entitling them to the contributions.

##### *Short-term employee benefits*

Short-term employee benefits are recognized at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognized as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognized for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

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

### 3.2 Significant accounting policies (Continued)

#### *Share-based payments*

##### *Equity-settled share-based payment transactions*

Share options granted to employees

Equity-settled share-based payments to employees (including directors of the Company) are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (equity-settled share-based compensation reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled share-based compensation reserve.

When the share options are exercised, the amount previously recognized in equity-settled share-based compensation reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognized in equity-settled share-based compensation reserve will continue to be held in equity-settled share-based compensation reserve.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

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

### 3.2 Significant accounting policies (Continued)

#### *Share-based payments (Continued)*

##### *Equity-settled share-based payment transactions (Continued)*

Modification to the terms and conditions of the share-based payment arrangements

When the terms and conditions of an equity-settled share-based payment arrangement are modified, the Group recognizes, as a minimum, the services received measured at the grant date fair value of the equity instruments granted, unless those equity instruments do not vest because of failure to satisfy a vesting condition (other than a market condition) that was specified at grant date. In addition, if the Group modifies the vesting conditions (other than a market condition) in a manner that is beneficial to the employees, for example, by reducing the vesting period, the Group takes the modified vesting conditions into consideration over the remaining vesting period.

The incremental fair value granted, if any, is the difference between the fair value of the modified equity instruments and that of the original equity instruments, both estimated as at the date of modification.

If the modification occurs during the vesting period, the incremental fair value granted is included in the measurement of the amount recognized for services received over the period from modification date until the date when the modified equity instruments are vested, in addition to the amount based on the grant date fair value of the original equity instruments, which is recognized over the remainder of the original vesting period.

If the modification reduces the total fair value of the share-based arrangement, or is not otherwise beneficial to the employee, the Group continues to account for the original equity instruments granted as if that modification had not occurred.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

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

### 3.2 Significant accounting policies (Continued)

#### *Share-based payments (Continued)*

##### *Equity-settled share-based payment transactions (Continued)*

Equity instruments granted by the then ultimate holding company to employees of the Group

The grant by the then ultimate holding company of equity instruments under its employee stock incentive plan to the employees of the Group (including directors of the Company) is treated as equity-settled share-based payments in the consolidated financial statements. An expense for the grant date fair value of the equity instruments under the employee stock incentive plan is recognized over the vesting period of the instruments, with a corresponding increase in equity. The increase in equity is treated as a deemed capital contribution into the Group and is included in equity-settled share-based compensation reserve.

##### *Restricted share award payment transactions*

For shares of the Group granted under Restricted Share Award Scheme and Global Partner Program Share Scheme ("Restricted Shares"), the fair value of the employee services received is determined by reference to the fair value of the Restricted Shares granted at the grant date and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (equity-settled share-based compensation reserve). At the end of each reporting period, the Group revises its estimates of the number of Restricted Shares that are expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the estimates, if any, is recognized in the profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity-settled share-based compensation reserve.

When the Restricted Shares are vested, the amount previously recognized in equity-settled share-based compensation reserve will be transferred to share premium.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

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

### 3.2 Significant accounting policies (Continued)

#### *Taxation*

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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. In addition, deferred tax liabilities are not recognized if the temporary differences arise from the initial recognition of goodwill.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

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

### 3.2 Significant accounting policies (Continued)

#### *Taxation (Continued)*

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognizes the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transaction in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 *Income Taxes* requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

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

### 3.2 Significant accounting policies (Continued)

#### *Taxation (Continued)*

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be used by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

#### *Property, plant and equipment*

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Property, plant and equipment other than assets under construction in progress are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Freehold lands are not depreciated and are measured at cost less subsequent accumulated impairment losses.

Property, plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets is functioning properly and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Sale proceeds of items that are produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management (such as samples produced when testing whether the asset is functioning properly), and the related costs of producing those items are recognized in the profit or loss. The cost of those items are measured in accordance with the measurement requirements of IAS 2. Depreciation of these assets, on the same basis as other assets, commences when the assets are ready for their intended use.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

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

### 3.2 Significant accounting policies (Continued)

#### *Property, plant and equipment (Continued)*

Depreciation is recognized so as to write off the cost of assets other than property, plant and equipment in the course of construction less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of the reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

#### *Intangible assets*

##### *Intangible assets acquired separately*

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortization and any accumulated impairment losses. Amortization for intangible assets with finite useful lives is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

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

### 3.2 Significant accounting policies (Continued)

#### *Intangible assets (Continued)*

##### *Internally-generated intangible asset — research and development expenditure*

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities is recognized if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

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

### 3.2 Significant accounting policies (Continued)

#### *Intangible assets (Continued)*

##### *Intangible assets acquired in a business combination*

Intangible assets acquired in a business combination are recognized separately from goodwill and are initially recognized at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortization and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

#### ***Impairment on property, plant and equipment, right-of-use assets, contract costs and intangible assets other than goodwill***

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets, contract costs and intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment, right-of-use assets, and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

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

### 3.2 Significant accounting policies (Continued)

#### *Impairment on property, plant and equipment, right-of-use assets, contract costs and intangible assets other than goodwill (Continued)*

Before the Group recognizes an impairment loss for assets capitalized as contract costs under IFRS 15, the Group assesses and recognizes any impairment loss on other assets related to the relevant contracts in accordance with applicable standards. Then, impairment loss, if any, for assets capitalized as contract costs is recognized to the extent the carrying amounts exceeds the remaining amount of consideration that the Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services that have not been recognized as expenses. The assets capitalized as contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognized immediately in profit or loss.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

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

### 3.2 Significant accounting policies (Continued)

#### *Impairment on property, plant and equipment, right-of-use assets, contract costs and intangible assets other than goodwill (Continued)*

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

#### *Cash and cash equivalents*

Cash and cash equivalents presented on the consolidated statement of financial position include:

- (a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and
- (b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts which are repayable on demand and form an integral part of the Group's cash management. Such overdrafts are presented as short-term borrowings in the consolidated statement of financial position.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

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

### 3.2 Significant accounting policies (Continued)

#### *Inventories*

Inventories are stated at the lower of cost and net realizable value. Costs of inventories are determined on a weighted average method. Net realizable value represents the contracted selling price less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

#### *Provisions*

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

#### *Financial instruments*

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at FVTPL are recognized immediately in profit or loss.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

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

### 3.2 Significant accounting policies (Continued)

#### *Financial instruments (Continued)*

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

#### *Financial assets*

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial assets is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 *Business Combinations* applies.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

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

### 3.2 Significant accounting policies (Continued)

#### *Financial instruments (Continued)*

##### *Financial assets (Continued)*

Classification and subsequent measurement of financial assets (Continued)

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that is required to be measured at the amortized cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

#### (i) Amortized cost and interest income

Interest income is recognized using the effective interest method for financial assets measured subsequently at amortized cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

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

### 3.2 Significant accounting policies (Continued)

#### *Financial instruments (Continued)*

##### *Financial assets (Continued)*

Classification and subsequent measurement of financial assets (Continued)

#### (ii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in OCI and accumulated in FVTOCI reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity instruments, and will be transferred to retained earnings.

Dividends from these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" line item in profit or loss.

#### (iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets as FVTPL are measured at fair value at the end of each reporting, with any fair value gains or losses recognized in profit or loss. The net gain or loss recognized in profit or loss includes any interest earned on the financial asset and is included in the "other gains and losses" line item.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

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

### 3.2 Significant accounting policies (Continued)

#### *Financial instruments (Continued)*

##### *Financial assets (Continued)*

Impairment of financial assets and other items subject to impairment assessment under IFRS 9

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade receivables, receivables for purchase of raw materials on behalf of customers, other receivables, other financial assets, other long-term deposits, bill receivables, time deposits, pledged bank deposits and bank balances) and other items (finance lease receivables and contract assets) which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment is done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognizes lifetime ECL for trade receivable, contract assets and finance lease receivables.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognizes lifetime ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

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

### 3.2 Significant accounting policies (Continued)

#### *Financial instruments (Continued)*

##### *Financial assets (Continued)*

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (Continued)

#### (i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

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

### 3.2 Significant accounting policies (Continued)

#### *Financial instruments (Continued)*

##### *Financial assets (Continued)*

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (Continued)

#### (i) Significant increase in credit risk (Continued)

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 60 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

#### (ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 180 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

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

### 3.2 Significant accounting policies (Continued)

#### *Financial instruments (Continued)*

##### *Financial assets (Continued)*

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (Continued)

#### (iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- a) significant financial difficulty of the issuer or the borrower;
- b) a breach of contract, such as a default or past due event;
- c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- e) the disappearance of an active market for that financial asset because of financial difficulties.

#### (iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognized in profit or loss.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

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

### 3.2 Significant accounting policies (Continued)

#### *Financial instruments (Continued)*

##### *Financial assets (Continued)*

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (Continued)

#### (v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with IFRS 16.

Lifetime ECL for certain trade receivables/contract assets/finance lease receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

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

### 3.2 Significant accounting policies (Continued)

#### *Financial instruments (Continued)*

##### *Financial assets (Continued)*

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (Continued)

##### (v) Measurement and recognition of ECL (Continued)

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortized cost of the financial asset.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables, finance lease receivables, receivables for purchase of raw materials on behalf of customers and contract assets where the corresponding adjustment is recognized through a loss allowance account.

##### Derecognition/modification of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

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

### 3.2 Significant accounting policies (Continued)

#### *Financial instruments (Continued)*

##### *Financial assets (Continued)*

##### Derecognition/modification of financial assets (Continued)

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the FVTOCI reserve is not reclassified to profit or loss, but is transferred to retained earnings.

A modification of a financial asset occurs if the contractual cash flows are renegotiated or otherwise modified.

When the contractual terms of a financial asset are modified, the Group assesses whether the revised terms result in a substantial modification from original terms taking into account all relevant facts and circumstances including qualitative factors. If qualitative assessment is not conclusive, the Group considers the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial asset.

For non-substantial modifications of financial assets that do not result in derecognition, the carrying amount of the relevant financial assets will be calculated at the present value of the modified contractual cash flows discounted at the financial assets' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial assets and are amortized over the remaining term. Any adjustment to the carrying amount of the financial asset is recognized in profit or loss at the date of modification.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

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

### 3.2 Significant accounting policies (Continued)

#### *Financial instruments (Continued)*

##### *Financial liabilities and equity*

##### Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

##### Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

##### Financial liabilities at amortized cost

Financial liabilities including borrowings and trade and other payables are subsequently measured at amortized cost, using the effective interest method.

##### Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

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

### 3.2 Significant accounting policies (Continued)

#### *Financial instruments (Continued)*

##### *Derivative financial instruments*

Derivatives are initially recognized at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognized in profit or loss unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

##### *Hedge accounting*

The Group designates certain derivatives as hedging instruments for fair value hedges and cash flow hedges.

At the inception of the hedging relationship the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

For the purpose of determining whether a forecast transaction (or a component thereof) is highly probable, the Group assumes that the interest rate benchmark on which the hedged cash flows (contractually or non-contractually specified) are based is not altered as a result of interest rate benchmark reform.

##### *Assessment of hedging relationship and effectiveness*

For hedge effectiveness assessment, the Group considers whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

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

### 3.2 Significant accounting policies (Continued)

#### *Financial instruments (Continued)*

##### *Hedge accounting (Continued)*

##### Assessment of hedging relationship and effectiveness (Continued)

- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

For changes made to the hedged risk, hedged item or hedging instrument required by interest rate benchmark reform, the Group amends the formal designation of a hedging relationship to reflect the changes by the end of the reporting period during which the relevant changes were made. Such an amendment to the formal designation of the hedging relationship constitutes neither the discontinuation of the hedging relationship nor the designation of a new hedging relationship.

##### Fair value hedges

The fair value change on qualifying hedging instruments is recognized in profit or loss.

The carrying amount of a hedged item not already measured at fair value is adjusted for the fair value change attributable to the hedged risk with a corresponding entry in profit or loss.

Where hedging gains or losses are recognized in profit or loss, they are recognized in the same line as the hedged item.

The Group separates the intrinsic value and time value of certain forward extra contracts and designates as the hedging instrument only the change in intrinsic value and not the change in its time value. The change in fair value of the time value shall be recognized in other comprehensive income to the extent that it relates to the hedged item and shall be accumulated in a separate component of equity.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

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

### 3.2 Significant accounting policies (Continued)

#### *Financial instruments (Continued)*

##### *Hedge accounting (Continued)*

##### Cash flow hedges

The effective portion of changes in the fair value of derivatives instruments that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated under the heading of cash flow hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss, and is included in the "other gains and losses" line item.

When a hedged item in a cash flow hedge is amended to reflect the changes that are required by the interest rate benchmark reform, the amount accumulated in the cash flow hedge reserve is deemed to be based on the alternative benchmark rate on which the hedged future cash flows are determined.

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognized hedged item. Furthermore, if the Group expects that some or all of the loss accumulated in the cash flow hedging reserve will not be recovered in the future that amount is immediately reclassified to profit or loss.

##### Hedges of net investments in foreign operations

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in other comprehensive income and accumulated under the heading of translation reserve. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss, and is included in the "other gains or losses" line item.

Gains or losses on the hedging instrument relating to the effective portion of the hedge accumulated in the translation reserve are reclassified to profit or loss on disposal of the foreign operation.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

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

### 3.2 Significant accounting policies (Continued)

#### *Financial instruments (Continued)*

##### *Hedge accounting (Continued)*

##### Discontinuation of hedge accounting

The Group discontinues hedge accounting prospectively only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. Discontinuing hedge accounting can either affect a hedging relationship in its entirety or only a part of it (in which case hedge accounting continues for the remainder of the hedging relationship).

For cash flow hedge, any gain or loss recognized in other comprehensive income and accumulated in equity at that time remains in equity and is recognized when the forecast transactions is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumption are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if revision affects both current and future periods.

### Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations, that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

### Critical judgements in applying accounting policies (Continued)

#### *Performance obligation determination*

For contracts that contain more than one performance obligations (i.e. FFS and CMO contracts usually have multiple deliverable units, which are generally in the form of technical laboratory reports, samples and/or goods), the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis, except for the allocation of discounts and variable consideration.

A performance obligation represents a good and service that is distinct or a series of distinct goods or services that are substantially the same. In certain sales contracts, the Group is required to fulfil multiple promised goods and/or services. In determining performance obligations, the management of the Group used judgements and interpretation of the contracts in identification of contractual components and related performance obligations, based on which the management of the Group concluded those goods and/or services as single or combined performance obligations.

#### *Determination on lease term of contracts with renewal options*

The Group applies judgement to determine the lease term for lease contracts in which it is a lessee that include renewal option. The assessment of whether the Group is reasonably certain to exercise renewal options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognized. Re-assessment is performed upon the occurrence of either a significant event or a significant change in circumstances that is within the control of lessee and that affects the assessment.

When assessing reasonable certainty, the Group considers all relevant facts and circumstances including economic incentives/penalties for exercising or not exercising the options. Factors considered include:

- contractual terms and conditions for the optional periods compared with market rates (e.g. whether the amount of payments in the optional periods is below the market rates);
- costs relating to termination of the lease (e.g. relocation costs, costs of identifying another underlying asset suitable for the Group's needs).

During the year ended December 31, 2022 the Group entered into several lease contracts in which the Group is a lessee that include renewal option. The Group determines that it is not reasonably certain to exercise the renewal option based on facts and circumstances for the lease, resulted in no additional amount of right-of-use assets and lease liabilities recognized.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

### **Key sources of estimation uncertainty**

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

### ***Provision of ECL for trade receivables and contract assets***

The Group uses practical expedient in estimating ECL on trade receivables and contract assets which are not assessed individually using a provision matrix. The provision rates are based on internal credit ratings as groupings of various debtors taking into consideration the Group's historical default rates and forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates within both provision matrix and individual assessment. The information about the ECL and the Group's trade receivables and contract assets are disclosed in Note 37(b).

As at December 31, 2022, the carrying amounts of trade receivables and contract assets are RMB4,650,663,000 and RMB493,566,000 respectively (2021: RMB3,123,755,000 and RMB132,545,000).

### ***Fair value measurements of unlisted equity investments***

As at December 31, 2022, certain of the Group's investments in unlisted equity instruments accounted under financial assets at FVTPL, equity instruments at FVTOCI and investment of an associate measured at FVTPL amounting to RMB706,005,000 (2021: RMB599,262,000), RMB41,470,000 (2021: RMB94,413,000) and RMB1,581,565,000 (2021: RMB752,275,000) respectively are measured at fair value being determined based on direct or indirect observable inputs or significant unobservable inputs using valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques and relevant inputs thereof. Changes in assumption relating to these factors could affect the fair values of these instruments. Details of the fair value measurement are disclosed in Note 37(c).



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

### Key sources of estimation uncertainty (Continued)

#### *Estimated impairment of goodwill*

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated, which is the amount of the value in use. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit (or a group of cash-generating units) and an appropriate discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows or upward revision of discount rate, a material impairment loss may arise.

As at December 31, 2022, the carrying amount of goodwill is RMB1,529,914,000 (2021: RMB1,529,914,000). Details of the recoverable amount calculation are disclosed in Note 16.

#### *Estimated impairment of property, plant and equipment, right-of-use assets and intangible assets*

Property, plant and equipment, right-of-use assets and intangible assets are stated at costs less accumulated depreciation/amortization and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the cash-generating unit to which the assets belong, including allocation of corporate assets when a reasonable and consistent basis of allocation can be established, otherwise recoverable amount is determined at the smallest group of cash-generating units, for which the relevant corporate assets have been allocated. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect recoverable amounts.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

### Key sources of estimation uncertainty (Continued)

#### *Estimated impairment of property, plant and equipment, right-of-use assets and intangible assets (Continued)*

During the year ended December 31, 2022, the management of the Group assessed whether an event, including but not limited to the Covid-19 pandemic impacts, has occurred or any indicators that may affect the asset value. The management concluded that there were no indications of impairment or the recoverable amounts of the related assets that may have impairment indications were higher than the carrying amounts, thus no impairment loss has been recognized on property, plant and equipment, right-of-use assets and intangible assets.

#### *Impairment of contract costs*

The Group assesses periodically if contract costs may not be recoverable based on an assessment of the remaining amount of consideration the Group expects to receive in exchange of goods or services. Impairment are applied to contract costs where events or changes in circumstances indicate that the remaining amount of consideration to receive less the costs directly related to providing goods or services that have not been recognized as expense is lower than the carrying amount of contract costs. The remaining amount of consideration to receive has been determined based on the remaining amount of consideration expected to be recognized upon the completion of the contract. Where the expectation is different from the original estimate, such difference will impact the carrying value of contract costs in the year in which such estimate changes.

As at December 31, 2022, the carrying amounts of contract costs was RMB1,096,480,000 (2021: RMB1,005,470,000) (net of write downs of RMB136,283,000 (2021: RMB103,923,000)).

#### *Allowance for inventories*

The Group reviews the carrying amount of inventories at each balance sheet date to determine whether the inventories are carried at the lower of cost and realizable value. The Group estimates the net realizable value, based on current market situation and historical experience on similar inventories. Any change in the assumption would increase or decrease the amount of inventories allowance or the related reversal. The change in allowance would affect the Group's loss for the year.

As at December 31, 2022, the carrying amounts of inventories was RMB2,280,911,000 (2021: RMB1,687,375,000) (net of write downs of RMB207,041,000 (2021: RMB251,329,000)).

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

## 5. REVENUE

### (i) Disaggregation of revenue from contracts with customers

The Group derives its revenue from the transfer of goods and services at a point in time and over time in the following major service lines:

	2022 RMB'000	2021 RMB'000
<b>Type of goods or services</b>		
Services		
— Research services on FFS basis	12,759,861	8,035,344
— Research services on full-time-equivalent ("FTE") basis	265,617	240,513
— Project management organization ("PMO") services	22,445	17,975
	<u>13,047,923</u>	<u>8,293,832</u>
Sales of goods	<u>2,220,737</u>	<u>1,996,218</u>
<b>Total</b>	<u>15,268,660</u>	<u>10,290,050</u>
<b>Timing of revenue recognition</b>		
A point in time		
— Research services on FFS basis	12,488,720	8,002,518
— Sales of goods	2,220,737	1,996,218
Over time		
— Research services on FFS basis	271,141	32,826
— Research services on FTE basis	265,617	240,513
— PMO services	22,445	17,975
<b>Total</b>	<u>15,268,660</u>	<u>10,290,050</u>

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

## 5. REVENUE (Continued)

### (ii) Performance obligations for contracts with customers

#### *Research services on FFS basis*

The Group primarily earns revenue by providing research services to its customers through FFS contracts. Contract duration ranges from few months to years.

#### *Typical FFS contracts*

Majority of FFS contracts entered by the Group contain multiple deliverable units, which are generally in the form of technical laboratory reports and/or samples, each with individual selling price specified in the contract. Usually, the Group identifies each deliverable unit as a separate performance obligation, and recognizes FFS revenue of contractual elements at the point upon acceptance of the deliverable units or after the end of a confirmation period. The contracts include payment schedules which require stage payments over the research period once certain specified milestones are reached. The Group's performance does not create an asset with alternative future use since the Group cannot redirect the asset for use on another customer, and at the same time the Group has a present right to payment from the customers for services performed only upon acceptance of the deliverable units, therefore, the directors of the Company have concluded that the performance obligation of such FFS contract is satisfied at a point in time and recognized the FFS revenue at a point in time.

In addition, usually there is a performance obligation embedded in the abovementioned FFS contracts namely project management service for which the directors of the Company have assessed that the customers simultaneously receive and consume benefit provided by the Group's performances. As such, the directors of the Company concluded that the performance obligation of the project management service is satisfied over time and the associated revenue is recognized over the service period using input method.

#### *Other FFS contracts*

For certain type of FFS contracts, services are delivered to the customers based on the extent of progress towards completion of the performance obligation as the Group's performance does not create an asset with an alternative future use and the contract terms specify that the Group has an enforceable right to payment for performance completed to date. Therefore, revenue generated from such FFS contracts is recognized over time using input method.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

## 5. REVENUE (Continued)

### (ii) Performance obligations for contracts with customers (Continued)

#### *Research services on FTE basis*

For the research services provided on a FTE basis, the Group provides its customer with a project team of employees dedicated to the customer's studies for a specific period of time and charges the customer at a fixed hourly/daily rate per employee. For the services under FTE model, the directors of the Company have assessed that the customers simultaneously receive and consume benefit provided by the Group's performances. Therefore, the performance obligation of FTE services is satisfied over time and FTE revenue is recognized over the service period. The customers shall pay the Group a prorated amount for the service based on the fixed rate per employee.

#### *Sales of goods*

The Group engages in production and sales of drug substance and/or drug products on CMO basis or biologics purification medium and chromatographic column ("other Biologics Products") under customers' specific order. The directors of the Company have determined that performance obligations are satisfied upon customers' acceptance of the deliverable goods. Therefore, the performance obligations of CMO contracts and other Biologics Products are satisfied at a point in time and the associated revenue is recognized at a point in time upon customers' acceptance of the deliverable goods.

#### *PMO services*

The Group engages in PMO by providing its customers with the construction project management service on facilities. For PMO services, the directors of the Company have assessed that the customers simultaneously receive and consume benefit provided by the Group's performances. Therefore, the management of the Group have concluded that the performance obligation on PMO services is satisfied over time and the associated revenue is recognized over the service period using input method.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

## 5. REVENUE (Continued)

### (iii) Transaction price allocated to the remaining performance obligation for contracts with customers

The aggregate amount of the transaction price allocated to performance obligations of goods or services that are unsatisfied (or partially unsatisfied) including no variable consideration are as follows:

	2022 RMB million	2021 RMB million
within one year	11,093	8,607
2–5 years	38,291	21,559
5–10 years	62,431	26,835
over 10 years	26,436	30,709
	<u>138,251</u>	<u>87,710</u>

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 as set out in Note 3. 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:

	2022 RMB'000	2021 RMB'000
Revenue		
— North America	8,496,361	5,228,865
— PRC	3,719,048	2,510,740
— Europe	2,546,172	2,276,262
— Rest of the world	507,079	274,183
	<u>15,268,660</u>	<u>10,290,050</u>

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

## 5. REVENUE (Continued)

### (iii) Transaction price allocated to the remaining performance obligation for contracts with customers (Continued)

#### *Geographical information (Continued)*

As at December 31, 2022, the Group's non-current assets other than financial instruments and deferred tax assets located in Ireland, Germany, USA and Singapore amount to RMB10,120,685,000, RMB2,794,914,000, RMB1,840,142,000 and RMB25,529,000 respectively (December 31, 2021: RMB7,743,261,000, RMB2,388,062,000, RMB1,078,688,000 and RMB3,954,000 respectively), the remaining of the non-current assets are located in the PRC.

#### *Information about major customers*

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

	2022 RMB'000	2021 RMB'000
Customer A (note)	1,709,429	N/A
Customer B (note)	N/A	1,520,777

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

## 6. OTHER INCOME

	2022 RMB'000	2021 RMB'000
Interest income from banks and other financial assets at amortized cost	107,475	58,026
Research and other grants related to		
— Asset (note i)	29,649	26,292
— Income (note ii)	160,015	111,638
Dividend from an equity instrument at FVTOCI	8,315	—
Others	—	649
	<u>305,454</u>	<u>196,605</u>

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

## 6. OTHER INCOME (Continued)

Notes:

- i. The Group has received certain research and other grants as incentive for investing in laboratory equipment. The grants were recognized in profit or loss over the useful lives of the relevant assets. Details of the grants are set out in Note 34.
- ii. The research and other grants received by the Group during the year were mainly related to the Group's contribution to the local high-tech industry and economy. These grants are unconditional and accounted for as immediate financial support with neither future related costs expected to be incurred nor related to any assets of the Group.

## 7. OTHER GAINS AND LOSSES

	2022 RMB'000	2021 RMB'000
Net foreign exchange gain (loss)	417,201	(32,584)
(Loss) gain on derivative financial instruments	(48,046)	32,593
Fair value (loss) gain on		
— listed equity securities at FVTPL	(362,042)	164,106
— unlisted equity investments at FVTPL	(94,978)	74,428
— investment of an associate measured at FVTPL	809,898	366,053
— wealth management products	26,559	60,853
Others	17,941	188
	<u>766,533</u>	<u>665,637</u>

## 8. FINANCING COSTS

	2022 RMB'000	2021 RMB'000
Interest expense on financing component of an advance payment received from a customer	10,287	9,752
Interest expense on bank borrowings	63,187	53,509
Interest expense on lease liabilities	50,707	39,966
Less: amounts capitalized in the cost of qualifying assets	(59,799)	(64,036)
	<u>64,382</u>	<u>39,191</u>

During the current year, borrowing cost arose on the certain general borrowings were capitalized to expenditure on qualifying assets at rates varying from 1.39% to 2.55% (2021: 1.29% to 2.31%) per annum.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

## 9. PROFIT BEFORE TAX

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

	2022 RMB'000	2021 RMB'000
Depreciation for property, plant and equipment	814,195	528,558
Depreciation for right-of-use assets	170,413	126,871
Amortization of intangible assets	58,382	47,669
	<u>1,042,990</u>	<u>703,098</u>
Staff cost (including directors' emoluments):		
— Salaries and other benefits	4,036,159	3,572,689
— Retirement benefits scheme contributions	332,120	208,076
— Share-based payment expenses	1,296,759	577,952
	<u>5,665,038</u>	<u>4,358,717</u>
Depreciation, amortization, staff cost and overhead		
— capitalized in contract cost	(894,778)	(555,877)
— capitalized in property, plant and equipment	(771,668)	(769,324)
	<u>(1,666,446)</u>	<u>(1,325,201)</u>
Impairment losses, under expected credit loss model, net of reversal		
— Trade receivables	243,195	129,664
— Contract assets	16,819	2,712
— Receivables for purchase of raw materials on behalf of customers	(1,489)	24,291
	<u>258,525</u>	<u>156,667</u>
Covid-19-related rent concessions	—	(188)
Auditors' remuneration	6,345	6,010
Write-down of inventories (included in cost of sales)	85,200	235,217
Reversals of write-down of inventories (included in cost of sales)	(82,992)	(14,656)
Write-down of contract costs (included in cost of sales)	32,360	90,488
Loss on disposal of property, plant and equipment	19,273	870
Cost of inventories recognized as an expense	<u>3,223,842</u>	<u>2,338,374</u>

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

## 10. INCOME TAX EXPENSE

	2022 RMB'000	2021 RMB'000
Current tax:		
— PRC Enterprise Income Tax ("EIT")	939,572	664,266
— Hong Kong Profits Tax	205,132	123,519
Over provision in prior years	(367,341)	(137,255)
	777,363	650,530
Deferred tax:		
— Current year	30,502	(165,992)
	807,865	484,538

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%.

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%.

For certain Group's subsidiaries operating in the PRC are eligible for certain concessions, which were accredited as "High and New Technology Enterprise", "Technologically Advanced Service Enterprise" or "Micro and Small Enterprise" were therefore entitled to a preferential EIT rate of 15% or certain concessions.

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

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

## 10. INCOME TAX EXPENSE (Continued)

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

	2022 RMB'000	2021 RMB'000
Profit before tax	<u>5,357,771</u>	<u>3,993,119</u>
Tax charge at the EIT rate of 25%	1,339,443	998,280
Tax effect of income that is exempt from taxation	(98,890)	(134,435)
Tax effect of expenses not deductible for tax purpose	581,259	183,947
Over provision in respect of prior years	(367,341)	(137,255)
Effect of weighted deduction of research and development expense	(102,379)	(82,347)
Effect of unused tax losses not recognized as deferred tax assets	196,896	129,285
Utilization of tax losses previously not recognized as deferred tax assets	(19,182)	(1,076)
Tax at concessionary rates	(638,916)	(413,749)
Decrease (increase) in opening deferred tax assets resulting from an decrease (increase) in applicable tax rates	5,308	(560)
Effect of different tax rate of operating entities in other jurisdiction	<u>(88,333)</u>	<u>(57,552)</u>
Income tax expense	<u>807,865</u>	<u>484,538</u>

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

## 11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

Details of the emoluments paid or payable to the directors and the Chief Executive of the Company for the service provided to the Group during the years ended December 31, 2022 and 2021 are as follows:

	2022 RMB'000	2021 RMB'000
<b>Chief Executive and executive director:</b>		
Dr. Zhisheng Chen ( <i>note i</i> )		
— director's fee	—	—
— salaries and other benefits	3,000	3,027
— performance-based bonus ( <i>note iv</i> )	1,500	1,500
— retirement benefits scheme contributions	—	—
— share-based compensation	74,170	46,267
	<u>78,670</u>	<u>50,794</u>
<b>Executive director:</b>		
Dr. Weichang Zhou		
— director's fee	—	—
— salaries and other benefits	2,091	1,815
— performance-based bonus ( <i>note iv</i> )	836	717
— retirement benefits scheme contributions	96	85
— share-based compensation	21,957	11,587
	<u>24,980</u>	<u>14,204</u>

The executive directors' emoluments shown above were for their service in connection with the management of the affairs of the Company and the Group.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

## 11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

	2022 RMB'000	2021 RMB'000
<b>Non-executive directors:</b>		
Dr. Ge Li		
— director's fee	—	—
— salaries and other benefits	—	—
— performance-based bonus	—	—
— retirement benefits scheme contributions	—	—
— share-based compensation	—	—
	<u>—</u>	<u>—</u>
	<u>—</u>	<u>—</u>
Mr. Edward Hu ( <i>note ii</i> )		
— director's fee	—	—
— salaries and other benefits	—	—
— performance-based bonus	—	—
— retirement benefits scheme contributions	—	—
— share-based compensation	—	194
	<u>—</u>	<u>194</u>
	<u>—</u>	<u>194</u>
Mr. Yibing Wu		
— director's fee	—	—
— salaries and other benefits	—	—
— performance-based bonus	—	—
— retirement benefits scheme contributions	—	—
— share-based compensation	—	—
	<u>—</u>	<u>—</u>
	<u>—</u>	<u>—</u>
Mr. Yanling Cao		
— director's fee	—	—
— salaries and other benefits	—	—
— performance-based bonus	—	—
— retirement benefits scheme contributions	—	—
— share-based compensation	—	—
	<u>—</u>	<u>—</u>
	<u>—</u>	<u>—</u>
Dr. Ning Zhao ( <i>note ii</i> )		
— director's fee	388	206
— salaries and other benefits	—	—
— performance-based bonus	—	—
— retirement benefits scheme contributions	—	—
— share-based compensation	—	—
	<u>388</u>	<u>206</u>
	<u>388</u>	<u>206</u>

The non-executive directors' emoluments shown above were for their services as directors of the Company or its subsidiaries.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

## 11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

	2022 RMB'000	2021 RMB'000
<b>Independent non-executive directors:</b>		
Mr. William Robert Keller		
— director's fee	325	187
— salaries and other benefits	—	—
— performance-based bonus	—	—
— retirement benefits scheme contributions	—	—
— share-based compensation	245	206
	<u>570</u>	<u>393</u>
Mr. Teh-Ming Walter Kwauk ( <i>note iii</i> )		
— director's fee	241	—
— salaries and other benefits	—	—
— performance-based bonus	—	—
— retirement benefits scheme contributions	—	—
— share-based compensation	354	413
	<u>595</u>	<u>413</u>
Mr. Kenneth Walton Hitchner III		
— director's fee	130	167
— salaries and other benefits	—	—
— performance-based bonus	—	—
— retirement benefits scheme contributions	—	—
— share-based compensation	491	219
	<u>621</u>	<u>386</u>

The independent non-executive directors' emoluments shown above were for their services as directors of the Company or its subsidiaries.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

## 11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

Notes:

- i. Dr. Zhisheng Chen is the Chief Executive of the Group and his emoluments disclosed above included those for services rendered by him as the Chief Executive.
- ii. On June 16, 2021, Mr. Edward Hu resigned as non-executive director of the Company and Dr. Ning Zhao was appointed as non-executive director of the Company.
- iii. On November 25, 2022, Mr. Teh-Ming Walter Kwauk resigned from the independent non-executive director position of the Company.
- iv. The performance-based bonus is discretionary based on the Group's financial results and the directors' performance as reviewed by the remuneration committee of the board of the directors of the Company and approved by the board of the directors of the Company.

### Five highest paid individuals' emoluments

The five individuals with the highest emoluments in the Group include two (2021: two) directors disclosed above. The emoluments of the five highest paid individuals (including directors) for the years ended December 31, 2022 and 2021 were as follows:

	2022 RMB'000	2021 RMB'000
Salaries and other benefits	13,624	13,013
Performance-based bonus	5,549	5,467
Retirement benefits scheme contributions	96	168
Share-based compensation	146,215	84,126
	<u>165,484</u>	<u>102,774</u>



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

## 11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

### Five highest paid individuals' emoluments (Continued)

The emoluments of the five highest paid individuals were within the following bands:

	Number of individuals 2022	Number of individuals 2021
HK\$6,500,001 to HK\$7,000,000	—	1
HK\$13,500,001 to HK\$14,000,000	—	1
HK\$15,500,001 to HK\$16,000,000	1	—
HK\$17,000,001 to HK\$17,500,000	—	1
HK\$19,000,001 to HK\$19,500,000	1	—
HK\$25,000,001 to HK\$25,500,000	—	1
HK\$27,500,001 to HK\$28,000,000	1	—
HK\$34,000,001 to HK\$34,500,000	1	—
HK\$61,000,001 to HK\$61,500,000	—	1
HK\$87,500,001 to HK\$88,000,000	1	—
	<u>5</u>	<u>5</u>

During the year ended December 31, 2022, no emoluments (2021: nil) were paid by the Group to the directors of the Company or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors of the Company have waived any emoluments during the year ended December 31, 2022 (2021: nil).



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

## 12. EARNINGS PER SHARE

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

	2022 RMB'000	2021 RMB'000
Earnings:		
Earnings for the purpose of calculating basic and diluted earnings per share	<u>4,420,286</u>	<u>3,388,478</u>
	2022	2021
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	4,172,735,893	4,173,681,127
Effect of dilutive potential ordinary shares:		
Share options	178,896,369	214,224,668
Restricted shares	<u>24,275,631</u>	<u>33,891,139</u>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<u>4,375,907,893</u>	<u>4,421,796,934</u>

The weighted average number of ordinary shares shown above have been arrived at after deducting the weighted average effect on 61,789,907 shares (December 31, 2021: 42,721,312 shares) held by a trustee under Restricted Share Award Scheme as set out in Note 35 for the year ended December 31, 2022.

## 13. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended December 31, 2022, nor has any dividend been proposed since the end of the reporting period (2021: nil).

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

## 14. PROPERTY, PLANT AND EQUIPMENT

	Machinery RMB'000	Furniture fixtures and equipment RMB'000	Transportation equipment RMB'000	Land, buildings and staff living quarters RMB'000 (note ii)	Leasehold improvement RMB'000	Construction in progress ("CIP") RMB'000	Total RMB'000
<b>COST</b>							
As at January 1, 2021	2,334,334	325,781	1,796	301,155	1,304,676	8,910,989	13,178,731
Acquisition of subsidiaries	285,083	17,490	680	305,713	180,301	44,214	833,481
Additions	21,268	4,894	349	3,524	9,701	6,454,298	6,494,034
Transfer from CIP	1,799,588	225,031	1,101	1,598,021	307,671	(3,931,412)	—
Disposals	(16,804)	(1,527)	—	(99,606)	(4,039)	—	(121,976)
Exchange alignment	(2,042)	—	—	(11,516)	(3,556)	(605,448)	(622,562)
At December 31, 2021	<u>4,421,427</u>	<u>571,669</u>	<u>3,926</u>	<u>2,097,291</u>	<u>1,794,754</u>	<u>10,872,641</u>	<u>19,761,708</u>
Additions (note i)	33,888	111	1,014	—	—	6,432,458	6,467,471
Transfer from CIP	821,198	193,479	635	6,272	786,690	(1,808,274)	—
Disposals	(31,721)	(3,978)	(693)	(28)	(15,071)	—	(51,491)
Exchange alignment	15,271	2,548	9	10,676	14,756	438,166	481,426
At December 31, 2022	<u>5,260,063</u>	<u>763,829</u>	<u>4,891</u>	<u>2,114,211</u>	<u>2,581,129</u>	<u>15,934,991</u>	<u>26,659,114</u>
<b>DEPRECIATION AND IMPAIRMENT</b>							
As at January 1, 2021	(789,992)	(88,168)	(979)	(4,842)	(298,579)	—	(1,182,560)
Provided for the year	(365,354)	(60,760)	(929)	(35,645)	(65,870)	—	(528,558)
Eliminated on disposals	10,471	1,267	—	661	1,164	—	13,563
Exchange alignment	87	—	—	255	1,000	—	1,342
At December 31, 2021	<u>(1,144,788)</u>	<u>(147,661)</u>	<u>(1,908)</u>	<u>(39,571)</u>	<u>(362,285)</u>	<u>—</u>	<u>(1,696,213)</u>
Provided for the year	(478,735)	(87,694)	(836)	(103,017)	(143,913)	—	(814,195)
Eliminated on disposals	23,458	3,078	534	—	1,308	—	28,378
Exchange alignment	(2,203)	(378)	(4)	(1,608)	(2,152)	—	(6,345)
At December 31, 2022	<u>(1,602,268)</u>	<u>(232,655)</u>	<u>(2,214)</u>	<u>(144,196)</u>	<u>(507,042)</u>	<u>—</u>	<u>(2,488,375)</u>
<b>CARRYING VALUES</b>							
At December 31, 2021	<u>3,276,639</u>	<u>424,008</u>	<u>2,018</u>	<u>2,057,720</u>	<u>1,432,469</u>	<u>10,872,641</u>	<u>18,065,495</u>
At December 31, 2022	<u>3,657,795</u>	<u>531,174</u>	<u>2,677</u>	<u>1,970,015</u>	<u>2,074,087</u>	<u>15,934,991</u>	<u>24,170,739</u>

### Notes:

- Out of total increase of property, plant and equipment during the year ended December 31, 2022:
  - The Group acquired new staff living quarters amounting to RMB285 million, which is in-progress for disposal to eligible employees as part of employees' benefits, and certain living quarters are under finance lease arrangement;

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

## 14. PROPERTY, PLANT AND EQUIPMENT (Continued)

*Notes: (Continued)*

i. *(Continued)*

- The Group had two asset acquisition deals with a total consideration of RMB256 million, out of which RMB107 million has been paid during the year ended December 31, 2022.
- ii. During the years ended December 31, 2022 and 2021, the Group disposed certain staff living quarters in Shanghai to eligible employees as part of employees' benefits, and certain living quarters are under finance lease arrangement. Details are set out in Note 22.

Except for freehold land and CIP, the above items of property, plant and equipment are depreciated on a straight-line basis after taking into account of the residual value as follows:

Machinery	9%–20% per annum
Furniture, fixtures and equipment	9%–20% per annum
Transportation equipment	18% per annum
Buildings and staff living quarters	1.4%–4.5% per annum
Leasehold improvement	Over the shorter of the lease term or twenty years

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

## 15. RIGHT-OF-USE ASSETS

	Leasehold lands RMB'000	Leased properties RMB'000	Machinery RMB'000	Total RMB'000
<b>As at December 31, 2022</b>				
Carrying amount	219,606	1,413,183	112,470	1,745,259
<b>As at December 31, 2021</b>				
Carrying amount	223,045	1,341,414	125,842	1,690,301
<b>For the year ended December 31, 2022</b>				
Depreciation charge	4,184	152,857	13,372	170,413
Capitalized in contract cost	—	(11,601)	(318)	(11,919)
Capitalized in property, plant and equipment	—	(65,474)	(10,976)	(76,450)
	<u>4,184</u>	<u>75,782</u>	<u>2,078</u>	<u>82,044</u>
<b>For the year ended December 31, 2021</b>				
Depreciation charge	3,915	116,263	6,693	126,871
Capitalized in contract cost	—	(24,224)	—	(24,224)
Capitalized in property, plant and equipment	—	(66,519)	(6,587)	(73,106)
	<u>3,915</u>	<u>25,520</u>	<u>106</u>	<u>29,541</u>

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

## 15. RIGHT-OF-USE ASSETS (Continued)

	2022 RMB'000	2021 RMB'000
Expense relating to short-term leases	21,809	9,759
Total cash outflow for leases	193,601	155,658
Additions to right-of-use assets	184,344	960,468

For both years, the Group leases various offices, laboratories, plant and equipment for its operations. Lease contracts are entered into for a fixed term of two to ten years, but may have extension options as described in Note 4. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

Leasehold lands mainly represent upfront payments for leasehold lands in the PRC, for which the Group has obtained the land use right certificates.

The Group regularly entered into short-term leases for equipment and offices. As at December 31, 2022 and 2021, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expenses are disclosed above.

### Restrictions or covenants on leases

In addition, lease liabilities of RMB1,638,668,000 are recognized with related right-of-use assets of RMB1,525,653,000 as at December 31, 2022 (2021: lease liabilities of RMB1,532,879,000 are recognized with related right-of-use assets of RMB1,467,256,000). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

## 16. GOODWILL

As at December 31, 2022, goodwill amounting to RMB1,529,914,000 was arising from acquisitions in previous years, of (a) Bestchrom (Zhejiang) Biosciences Co., Ltd. ("Bestchrom Zhejiang", formerly known as Pinghu U-Pure Biosciences Co., Ltd.) and Bestchrom (Shanghai) Biosciences Ltd. ("Bestchrom Shanghai", together with Bestchrom Zhejiang referred to as "Bestchrom"), (b) CMAB Biopharma Limited ("CMAB BVI") and its subsidiaries (together referred to as "CMAB Group"), and (c) the payload and linker business (the "Payload and Linker Business"), respectively.

	Acquisition of Bestchrom RMB'000	Acquisition of CMAB Group RMB'000	Acquisition of Payload and Linker Business RMB'000	Total RMB'000
<b>COST AND CARRYING VALUES</b>				
At December 31, 2021 and December 31, 2022	<u>185,408</u>	<u>1,129,313</u>	<u>215,193</u>	<u>1,529,914</u>

### (a) Acquisition of Bestchrom

The goodwill amounted to RMB185,408,000 was arising from the acquisition of 50.1% equity interest in Bestchrom Zhejiang and Bestchrom Shanghai by the Group during the year ended December 31, 2019.

For the purposes of impairment testing, Bestchrom Zhejiang and Bestchrom Shanghai are allocated as an individual cash-generating unit (the "Bestchrom Unit"). The recoverable amount of the Bestchrom Unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and pre-tax discount rate of 16% (2021: 17%). Pre-tax discount rate applied reflects the current market assessments of the time value of money and the risks specific to the Bestchrom Unit. The Bestchrom Unit's expected annual growth rates are extrapolated using a steady 3% (2021: 3%) growth rate. Other key assumptions for the value in use calculations related to the estimation of cash inflows/outflows which include revenue growth rate, such estimation is based on the Bestchrom Unit's past performance and management's expectation for the market development.

The recoverable amount is significantly above the carrying amount of the Bestchrom Unit, management of the Group believes that any reasonably possible change in any of these assumptions would not result in impairment.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

## 16. GOODWILL (Continued)

### (b) Acquisition of CMAB Group

The goodwill amounted to RMB1,129,313,000 was arising from the Group's acquisition of 100% equity interest in CMAB Group during the year ended December 31, 2021.

For the purposes of impairment testing, CMAB Group are allocated as an individual cash-generating unit (the "CMAB Unit"). The recoverable amount of the CMAB Unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and pre-tax discount rate of 15% (2021: 15%). Pre-tax discount rate applied reflects the current market assessments of the time value of money and the risks specific to the CMAB Unit. The CMAB Unit's expected annual growth rate till 2027 is 3%-18% (2021: 3.6%-163.7%). The CMAB Unit's cash flows beyond the 5-year period are extrapolated using a steady 3% (2021: 3%) growth rate. Other key assumptions for the value in use calculations related to the estimation of cash inflows/outflows which include revenue growth rate, such estimation is based on the CMAB Group's past performance and management's expectation for the market development.

The recoverable amount is significantly above the carrying amount of the CMAB Unit, management of the Group believes that any reasonably possible change in any of these assumptions would not result in impairment.

### (c) Acquisition of Payload and Linker Business

The goodwill amounted to RMB215,193,000 was arising from the Group's acquisition of Payload and Linker Business during the year ended December 31, 2021.

For the purposes of impairment testing, the acquired Payload and Linker Business is allocated as an individual cash-generating unit (the "Payload and Linker Unit"). The recoverable amount of the Payload and Linker Unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and pre-tax discount rate of 17% (2021: 16%). Pre-tax discount rate applied reflects the current market assessments of the time value of money and the risks specific to the Payload and Linker Unit. Other key assumptions for the value in use calculations related to the estimation of cash inflows/outflows which include revenue growth rate, such estimation is based on the Payload and Linker Unit's past performance and management's expectation for the market development.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

## 16. GOODWILL (Continued)

### (c) Acquisition of Payload and Linker Business (Continued)

The cash flows beyond the 5-year period are extrapolated using a growth rate based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry.

Based on the above assessment, management of the Group determines that there is no impairment on the Payload and Linker Unit during and at the end of the reporting period. Management of the Group believes that any reasonably possible change in any of these assumptions would not result in impairment.

## 17. INVESTMENT OF AN ASSOCIATE MEASURED AT FVTPL

Details of the Group's associate at the end of the reporting period are as follows:

Name of entity	Country of registration	Principal place of business	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activity
			2022	2021	2022	2021	
Shanghai Duoning Biotechnology Co., Ltd. ("Duoning")	PRC	PRC	17.36%	18.44%	20%	20%	Sales of serum-free media and disposable products, formulation production and services

As at June 30, 2021, the Group's shareholding in Duoning has been increased to 21.78% with consideration paid in full. Up to December 31, 2021, other investors further invested in Duoning and the Group's shareholding in Duoning was diluted to 18.44%. Up to December 31, 2022, other investors further invested in Duoning and the Group's shareholding in Duoning was diluted to 17.36%. The Group maintained significant influence in Duoning through its representation on the board of directors.

Details of the fair value measurement of the investment of an associate measured at FVTPL are set out in Note 37(c).



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

## 18. DEFERRED TAXATION

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is a summary of the deferred tax balances for financial reporting purposes:

	2022 RMB'000	2021 RMB'000
Deferred tax assets	222,568	220,787
Deferred tax liabilities	(132,076)	(124,211)
	<b>90,492</b>	<b>96,576</b>

The following are the major deferred tax assets and liabilities recognized and movements thereon before offsetting during the reporting periods:

	Deferred income RMB'000	Allowance on inventories and credit losses RMB'000	Accrued expenses RMB'000	Accelerated tax depreciation RMB'000	Deferred rental under IFRS 16 RMB'000	Fair value adjustment arising from acquisition of subsidiaries RMB'000	Unrealized exchange gain RMB'000	Derivative financial instruments RMB'000	Deductible loss RMB'000	Others RMB'000	Total RMB'000
At January 1, 2021	31,901	33,520	13,924	(5,439)	6,272	(17,673)	(124,766)	(38,447)	—	(41)	(100,749)
Credited (charged) to profit or loss	3,351	40,580	4,883	2,058	2,148	6,922	119,582	—	22,883	(36,415)	165,992
Charged to OCI	—	—	—	—	—	—	—	20,266	—	—	20,266
Exchange alignment	—	—	—	—	—	—	5,184	—	—	(35)	5,149
Acquisition of subsidiaries	—	—	—	—	—	(56,926)	—	—	62,844	—	5,918
At December 31, 2021	35,252	74,100	18,807	(3,381)	8,420	(67,677)	—	(18,181)	85,727	(36,491)	96,576
Credited (charged) to profit or loss	(1,891)	34,001	10,099	1,615	8,048	8,634	—	—	(66,760)	(24,248)	(30,502)
Charged to OCI	—	—	—	—	—	—	—	29,866	—	—	29,866
Exchange alignment	—	—	—	—	—	—	—	—	—	(5,448)	(5,448)
At December 31, 2022	33,361	108,101	28,906	(1,766)	16,468	(59,043)	—	11,685	18,967	(66,187)	90,492

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

## 18. DEFERRED TAXATION (Continued)

As at December 31, 2022, the Group had unused tax losses of RMB1,161,320,000 (2021: RMB882,113,000) available to offset against future profits. A deferred tax asset has been recognized in respect of RMB75,867,000 (2021: RMB342,908,000) of such losses. No deferred tax asset has been recognized in respect of the remaining RMB1,085,453,000 (2021: RMB539,205,000) due to the unpredictability of future profit streams.

The unrecognized tax losses as at December 31, 2022 include RMB679,859,000 (December 31, 2021: RMB302,386,000) of the losses arising from subsidiaries located in Hong Kong, USA, Singapore, Switzerland, Germany and Ireland which will be carried forward indefinitely until it's fully offset. The remaining unrecognized tax losses will be carried forward and expire in years as follows:

	2022 RMB'000	2021 RMB'000
2022	N/A	537
2023	89	512
2024	—	3,870
2025	1,972	710
2026	332,889	231,190
2027	70,644	N/A
	<b>405,594</b>	<b>236,819</b>

Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to RMB12,131,204,000 as at December 31, 2022 (December 31, 2021: RMB6,476,650,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not be reversed in the foreseeable future.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

## 19. INTANGIBLE ASSETS

	Technology RMB'000 (note i)	Customer relationship RMB'000 (note i)	Patent and license RMB'000 (note ii)	Total RMB'000
<b>Cost</b>				
At January 1, 2021	57,600	47,400	350,753	455,753
Acquisition of subsidiaries/ business	24,285	261,817	—	286,102
Exchange alignment	—	—	(35,115)	(35,115)
At December 31, 2021	81,885	309,217	315,638	706,740
Exchange alignment	—	—	8,851	8,851
At December 31, 2022	81,885	309,217	324,489	715,591
<b>Amortization</b>				
At January 1, 2021	(6,545)	(11,850)	(45,501)	(63,896)
Charge for the year	(6,248)	(24,592)	(16,829)	(47,669)
Exchange alignment	—	—	5,479	5,479
At December 31, 2021	(12,793)	(36,442)	(56,851)	(106,086)
Charge for the year	(6,755)	(36,023)	(15,604)	(58,382)
Exchange alignment	—	—	(2,345)	(2,345)
At December 31, 2022	<u>(19,548)</u>	<u>(72,465)</u>	<u>(74,800)</u>	<u>(166,813)</u>
<b>Carrying Values</b>				
At December 31, 2021	<u>69,092</u>	<u>272,775</u>	<u>258,787</u>	<u>600,654</u>
At December 31, 2022	<u>62,337</u>	<u>236,752</u>	<u>249,689</u>	<u>548,778</u>

Notes:

- Technology and customer relationship were recognized as a result of the acquisitions of subsidiaries/business in 2019 and 2021. The amounts represented the intellectual property and existing customer relationships which have finite useful life and are amortized on a straight-line basis over their estimated useful lives of 11 to 16 and 5 to 10 years, respectively.
- On June 25, 2018, the Group entered into a platform license agreement with Open Monoclonal Technology, Inc. ("OMT"), an independent third party not connected to the Group, under which OMT has granted the Group a non-exclusive, non-transferable, non-sublicensable license to use certain animals, namely, OmniRat, OmniMouse and OmniFlic, for the purpose of researching, developing, and making antibodies, for a cash consideration of US\$51million (equivalent to approximately RMB333,254,000). The Group has estimated the useful life of this license based on the management's understanding of the technology and market, and determined the useful life in accordance with the estimation of the vendor, Ligand Pharmaceuticals Incorporated, for period of 18 years from 2018 to 2035. Accordingly, the license payment is amortized over 18 years on a straight-line basis.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

## 20. EQUITY INSTRUMENTS AT FVTOCI

Movement of equity instruments at FVTOCI are as follows:

	RMB'000
<b>Unlisted equity instruments</b>	
As at January 1, 2021	127,167
Fair value change	(29,819)
Exchange alignment	(2,935)
As at December 31, 2021	94,413
Fair value change	(59,731)
Exchange alignment	6,788
As at December 31, 2022	<b>41,470</b>

Details of the fair value measurement of the equity instrument at FVTOCI are set out in Note 37(c).

## 21. FINANCIAL ASSETS AT FVTPL

	2022 RMB'000	2021 RMB'000
<b>Current asset</b>		
Wealth management products ( <i>note</i> )	<b>2,014,632</b>	975,578
<b>Non-current assets</b>		
Listed equity securities	<b>380,171</b>	756,872
Unlisted equity investments	<b>706,005</b>	599,262
Financial assets at FVTPL	<b>1,086,176</b>	1,356,134

*Note:* During the year ended December 31, 2022, the Group entered into several contracts of wealth management products with banks under which the maturity terms are within 12 months. For the wealth management products, returns are determined by reference to the performance of the underlying instruments in the currency market, the interbank market, the bond market, the security and equity market and the derivative financial assets, and as such they are recognized as financial assets at FVTPL. The expected return rates vary from 1.31% to 4.1% (December 31, 2021: 0.11% to 4.53%) per annum.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

## 21. FINANCIAL ASSETS AT FVTPL (Continued)

During the year ended December 31, 2022, the Group managed and evaluated the unlisted investments in accordance with the Group's investment strategy.

Details of the fair value measurement of the financial assets at FVTPL are set out in Note 37(c).

Financial assets at FVTPL that are denominated in currencies other than the functional currency of the respective group entities are set out below:

	2022 RMB'000	2021 RMB'000
Hong Kong dollars ("HK\$")	176,256	142,017
RMB	36,846	32,900
Swiss Francs ("CHF")	19,720	16,664

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

## 22. FINANCE LEASE RECEIVABLES

During the years ended December 31, 2022 and 2021, the Group entered into finance lease arrangements as lessor in connection with the disposal of certain staff living quarters of the Group to eligible employees. The average terms of finance leases entered is 10 years, upon the end of the finance lease period, the purchase option owned by the eligible employees will become exercisable. All interest rates inherent in the leases are 4.9% at the contract date over the lease terms.

	Minimum lease payments December 31, 2022 RMB'000	Present value of minimum lease payments December 31, 2022 RMB'000	Minimum lease payments December 31, 2021 RMB'000	Present value of minimum lease payments December 31, 2021 RMB'000
Finance lease receivables comprise:				
Within one year	20,467	14,166	20,542	13,564
Within a period of more than one year but not exceeding two years	20,282	14,610	20,620	14,248
Within a period of more than two years but not exceeding five years	60,845	47,922	61,860	46,683
Within a period of more than five years	52,835	46,639	73,471	63,554
	154,429	123,337	176,493	138,049
Less: unearned finance income	(31,092)	N/A	(38,444)	N/A
Present value of minimum lease payment receivables	123,337	123,337	138,049	138,049
Analyzed as:				
Current		14,166		13,564
Non-current		109,171		124,485
		123,337		138,049

Finance lease receivables are secured over the related staff living quarters. The Group is not permitted to sell or pledge the collateral in the absence of default by the lessees.

Details of impairment assessment are set out in Note 37(b).



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

## 23. OTHER LONG-TERM DEPOSITS AND PREPAYMENTS

Other long-term deposits represent rental deposits paid for certain lease arrangements of office premises and deposits paid to guarantee certain milestones of construction projects.

Prepayments represent payments to the banks for banking facilities granted to the Group which will be amortized over the facility period as well as prepaid insurance fee.

## 24. INVENTORIES

	2022 RMB'000	2021 RMB'000
Raw material and consumables	2,250,582	1,663,332
Work in progress	10,312	7,824
Finished goods	20,017	16,219
Total	<u>2,280,911</u>	<u>1,687,375</u>

Raw materials and consumables are net of a write-down of approximately RMB207,041,000 as at December 31, 2022 (2021: RMB251,329,000).

## 25. CONTRACT COSTS

	2022 RMB'000	2021 RMB'000
Costs to fulfil contracts	<u>1,096,480</u>	<u>1,005,470</u>

The contract costs are net of a write-down of approximately RMB136,283,000 as at December 31, 2022 (2021: RMB103,923,000).

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

## 26. TRADE AND OTHER RECEIVABLES

	2022 RMB'000	2021 RMB'000
Trade receivables from contracts with customers		
— related parties	5,500	2,367
Less: allowance for credit losses	(199)	(76)
— third parties	5,194,251	3,424,757
Less: allowance for credit losses	(548,889)	(303,293)
	<u>4,650,663</u>	<u>3,123,755</u>
Bills receivable from contracts with customers	—	3,247
Receivables for purchase of raw materials on behalf of customers	291,931	616,961
Less: allowance for credit losses	(28,889)	(30,378)
	<u>263,042</u>	<u>586,583</u>
Advances to suppliers		
— related parties	16,995	12,607
— third parties	71,235	70,600
	<u>88,230</u>	<u>83,207</u>
Other receivables (note i)	273,255	278,026
Prepayments	25,281	12,362
Value added tax recoverable	309,892	620,584
Receivable arising from payment for potential acquisition (note ii)	—	149,555
	<u>608,428</u>	<u>1,060,527</u>
Total trade and other receivables	<u>5,610,363</u>	<u>4,857,319</u>

### Notes:

- Included in other receivables at December 31, 2022, an amount of RMB247,000,000 (December 31, 2021: RMB216,338,000) is the receivable from bank in relation to the settled derivative financial instruments.
- In October 2020, the Group entered into a letter of intent with independent vendors pursuant to which the Group conditionally agreed to acquire not less than 75% equity interest of a target company from the vendors. In November 2020, the first installment of RMB149,555,000 was paid to one of the vendors in accordance with the terms of the said letter. The proposed acquisition was subsequently terminated due to delay of closing of the shares transfer. During the current year, the aforementioned installment had been fully repaid to the Group.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

## 26. TRADE AND OTHER RECEIVABLES (Continued)

Details of the trade and other receivables due from related parties are set out in Note 42(b).

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

	2022 RMB'000	2021 RMB'000
Not past due	3,017,493	2,075,079
Overdue:		
— Within 90 days	736,181	719,662
— 91 days to 1 year	735,020	281,206
— Over 1 year	161,969	47,808
	<u>4,650,663</u>	<u>3,123,755</u>

As at December 31, 2022, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB1,633,170,000 (2021: RMB1,048,676,000) which are past due as at the reporting date. Out of the past due balances, RMB896,989,000 (2021: RMB329,014,000) has been past due 90 days or more and is not considered as in default as the management of the Group believed that the amounts will be settled by the customers based on the customers' committed promise and historical experience. The Group does not hold any collateral over these balances.

Details of impairment assessment of trade receivables, other receivables, bills receivable and receivables for purchase of raw materials on behalf of customers are set out in Note 37(b).

Trade and other receivables that are denominated in currencies other than the functional currency of the respective group entities are set out below:

	2022 RMB'000	2021 RMB'000
US\$	3,613,734	2,283,908
HK\$	519	15,813
Euro ("EUR")	<u>14,664</u>	<u>1,331</u>

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

## 27. CONTRACT ASSETS

	2022 RMB'000	2021 RMB'000
Contract assets		
— related parties	7,250	7,685
Less: allowance for credit losses	(44)	(2)
— third parties	512,722	135,357
Less: allowance for credit losses	(26,362)	(10,495)
	<u>493,566</u>	<u>132,545</u>

As at January 1, 2021, carrying amount of contract assets amounted to RMB24,069,000 (net of allowance for credit losses of RMB7,785,000).

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

Typical payment terms which impact on the amount of contract assets recognized are as follows:

### — Revenue on FFS basis and CMO basis

The Group's FFS and CMO contracts include payment schedules which require stage payments over the research or manufacturing period once certain specified milestones are reached or control of goods are transferred to customers. The Group requires certain customers to pay 20%-50% of total contract value as project start-up cost as part of its credit risk management policies.

The Group classifies these contract assets as current because the Group expects to realize these contracts assets in their normal operating cycle.

Details of the impairment assessment of contract assets are set out in Note 37(b).

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

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

Bank balances and cash of the Group comprised of cash and short term bank deposits with an original maturity of three months or less. The short term bank deposits are carried interests at market rates which ranged from 0% to 2.03% per annum as at December 31, 2022 (2021: 0% to 2.1%).

Time deposits as at December 31, 2022 are carried fixed interest rate from 2.6% to 3.0% per annum and have original maturity over three months (2021: 0.3% to 0.6%).

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

Bank balances and cash, pledged bank deposits and time deposits that are denominated in currencies other than the functional currency of the respective group entities are set out below:

	2022 RMB'000	2021 RMB'000
US\$	3,800,710	5,556,014
EUR	7,775	94,757
HK\$	31,485	752,749

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

## 29. TRADE AND OTHER PAYABLES

	2022 RMB'000	2021 RMB'000
Trade payables		
— related parties	115,796	62,214
— third parties	676,680	555,570
	<u>792,476</u>	<u>617,784</u>
Other payables and accrual		
— related parties	40,716	8,857
— third parties ( <i>note</i> )	431,434	1,206,705
	<u>472,150</u>	<u>1,215,562</u>
Payable for purchase of property, plant and equipment	1,029,318	750,420
Consideration payables for acquisition of subsidiaries	2,968	4,008
Consideration payable to a related party for acquisition of business	—	280,000
Salary and bonus payables	912,852	781,009
Other taxes payable	57,506	49,036
Bill payables	1,912	—
Trade and other payables	<u>3,269,182</u>	<u>3,697,819</u>

*Note:* Included in the other payables, an amount of RMB4,936,000 represented the payables to employees arising from exercise of share options and restricted shares as at December 31, 2022 (2021: RMB820,634,000).

Details of the trade and other payables due to related parties are set out in Note 42(b).

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

## 29. TRADE AND OTHER PAYABLES (Continued)

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

	2022 RMB'000	2021 RMB'000
Within three months	674,412	561,455
Over three months but within one year	100,853	37,408
Over one year but within five years	17,211	18,921
	<u>792,476</u>	<u>617,784</u>

Trade and other payables that are denominated in currencies other than the functional currency of the respective group entities are set out below:

	2022 RMB'000	2021 RMB'000
US\$	160,116	247,679
EUR	8,086	12,841
CHF	4,588	2,572
GBP	818	—
Japan Yen ("JPY")	85	103
HK\$	—	770,949

## 30. CONTRACT LIABILITIES

	2022 RMB'000	2021 RMB'000
Contract liabilities		
— related parties	—	98
— third parties	<u>4,090,913</u>	<u>2,386,299</u>
	<u>4,090,913</u>	<u>2,386,397</u>
Less: amounts shown under current liabilities	<u>(3,379,372)</u>	<u>(1,733,799)</u>
Amounts shown under non-current liabilities (note)	<u>711,541</u>	<u>652,598</u>

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

## 30. CONTRACT LIABILITIES (Continued)

*Note:* The contract liabilities are classified as non-current due to the related services will be provided beyond twelve months which was related to a long-term contract manufacturing agreement signed by the Group and an independent third party in 2020. The non-current contract liabilities amounted to RMB711,541,000 at December 31, 2022 (December 31, 2021: RMB652,598,000) after considering the financing components and the recognition of revenue during the reporting period.

As at January 1, 2021, contract liabilities amounted to RMB1,324,812,000.

Revenue of RMB1,382,857,000 was recognized during the year ended December 31, 2022 that was included in the contract liabilities at the beginning the year of 2022 (2021: RMB508,933,000).

Typical payment terms which impact on the amount of contract liabilities recognized are as follows:

### — Revenue on FFS basis

Except for the amount received in advance from an independent global vaccine leader under a contract manufacturing agreement for a 20-year period. The Group normally requires certain customers to pay a percentage of total contract value as down payment as project start-up cost as part of its credit risk management policies. The advance payment schemes result in contract liabilities which represent the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

### — Revenue on CMO basis

The Group shall invoice client for products and services upon commencement thereof, which will give rise to contracts liability at the start of a contract. The Group normally invoices its clients a percentage of the price on acceptance of manufacturing orders to commence work.

### — Revenue from other Biologics Products

The Group normally invoices its clients a percentage of the price on acceptance of other Biologics Products orders to commence work, which will give rise to contract liability at the start of a contract.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

## 31. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

	Assets		Liabilities	
	December 31, 2022 RMB'000	December 31, 2021 RMB'000	December 31, 2022 RMB'000	December 31, 2021 RMB'000
<i>Derivatives under hedge accounting</i>				
Fair value hedges				
— Forward extra, partial convertible dual currency structured deposit, par forward and European vanilla option contracts	104,283	319,584	184,530	24,191
Cash flow hedges				
— Foreign currency forward, forward extra, cross currency swap, interest rate swap, and collars contracts	96,960	170,915	215,933	16,699
Net investment hedge in foreign operations				
— Forward extra	—	—	25,267	—
Total	201,243	490,499	425,730	40,890
Less: current portion	(201,243)	(479,557)	(425,730)	(40,890)
Non-current portion	—	10,942	—	—

### Derivatives not under hedge accounting

During the current year, the Group entered into a forward extra contract with a bank in order to manage the Group's currency risk. Under the forward extra contract, the Group will pay to the bank notional amount of EUR and receive from the bank an amount in RMB equal to the product of the relevant notional amount of EUR and the relevant strike rate as specified within the respective contracts.

The Group did not elect to adopt hedge accounting for the contract and therefore, during the year ended December 31, 2022, losses from forward extra of RMB9,984,000 (2021: RMB23,132,000 gains) was recognized as "loss on derivative financial instruments" in other gains and losses.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

## 31. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES (Continued)

### Derivatives under hedge accounting

In view of the management of the Group, the respective foreign currency forward contracts, forward extra contracts, interest rate swap contracts, collars contracts, par forward contracts and partial convertible dual currency structured deposit contract are highly effective hedging instruments and qualified as cash flow or fair value hedges.

- (i) The Group entered into foreign currency forward contracts with banks to eliminate the exposure to fluctuations in foreign currency exchange rate arising from anticipated foreign currency sales transactions, in particular, the exchange rate between US\$ and RMB for foreign currency sales transactions which is designated as cash flow hedges. The major terms of these contracts on a net settlement basis as at December 31, 2022 presented are as follows:

	Average strike/forward rate	Foreign currency US\$'000	Total outstanding notional value RMB'000	Fair value assets RMB'000	Fair value liabilities RMB'000
<b>Sell US\$</b>					
Less than 3 months	6.4105-7.0525	315,000	2,082,438	3,715	(107,717)
4 to 6 months	6.8210-7.0185	115,000	795,276	7,661	(4,801)
7 to 11 months	6.7130-7.0050	250,000	1,738,530	31,997	(4,018)

- (ii) The Group entered into collars contracts with a bank to eliminate the exposure to fluctuations in foreign currency exchange rate arising from anticipated foreign currency sales transactions, in particular, to buy RMB and sell US\$. The major terms of the collars contracts are as follows:

	Strike Rate 1	Strike Rate 2	Foreign currency USD'000	Fair value assets RMB'000
3 to 10 months	6.7850-7.0500	7.1700-7.3300	225,000	24,637

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

## 31. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES (Continued)

### Derivatives under hedge accounting (Continued)

- (iii) The Group entered into forward extra contracts with a bank to eliminate the exposure to fluctuations in foreign currency exchange rate arising from anticipated foreign currency sales transactions, in particular, to buy RMB and sell US\$. The major terms of the forward extra contracts are as follows:

	Average strike rate	Knock-in barrier	Notional amount US\$'000	Fair value assets RMB'000	Fair value liabilities RMB'000
<b>Sell US\$</b>					
6 to 7 months	6.5700-6.5900	6.8400-6.8700	430,000	—	(99,397)

- (iv) The Group uses interest rate swaps to minimize its exposure to interest rate fluctuation on its variable-rate bank borrowings. The major terms of the interest rate swaps are as follows:

	Notional amount US\$'000	Contract date	Maturity date	Receive	Pay	Fair value assets RMB'000
12 months	90,000	August 11, 2021	December 18, 2023	LIBOR+1.1%	EUR Variable Rate	28,950

- (v) The Group entered into par forward contracts and forward extra contracts with a bank to manage its foreign exchange rate risk arising from net exposure which are denominated in currencies at US\$ and EUR up to 2 months, which is designated as fair value hedge. The major terms of the forward extra contracts are as follows:

	Average strike rate	Knock-in barrier	Notional amount US\$'000	Fair value assets RMB'000	Fair value liabilities RMB'000
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<b>Sell US\$</b>					
1 month	6.5400-6.7000	6.9100	525,000	49,905	(137,891)

	Average strike rate	Knock-in barrier	Notional amount EUR'000	Fair value assets RMB'000	Fair value liabilities RMB'000
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<b>Sell EUR</b>					
1 to 2 months	7.1600-7.5000	7.5050	580,000	29,595	(19,394)

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

## 31. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES (Continued)

### Derivatives under hedge accounting (Continued)

- (vi) The Group entered into a partial convertible dual currency structured deposit contract with a bank to manage its foreign exchange rate risk arising from net exposure which are denominated in currencies at US\$ up to 3 months, which is designated as fair value hedge. The major terms of the partial convertible dual currency structured deposit contract is as follows:

	Average strike rate	Notional amount US\$'000	Fair value assets RMB'000	Fair value liabilities RMB'000
<b>Sell US\$</b>				
3 months	6.7780	150,000	—	(21,232)

- (vii) The Group entered into a forward extra contract with a bank to manage its foreign exchange rate risk arising from net exposure which are denominated in currencies at US\$ up to 9 months, which is designated as fair value hedge. The major terms of the forward extra contract is as follows:

	Average strike rate	Knock-in Barrier	Notional amount US\$'000	Fair value assets RMB'000	Fair value liabilities RMB'000
<b>Sell EUR, buy US\$</b>					
9 months	1.1330	1.1570	60,000	24,783	(6,013)

- (viii) The Group entered into a forward extra contract with a bank to manage its net investments in foreign operations which are denominated in currencies at US\$ up to 8 months, which is designated as net investments hedge. The major terms of the forward extra contracts is as follows:

	Average strike rate	Knock-in Barrier	Notional amount US\$'000	Fair value assets RMB'000	Fair value liabilities RMB'000
<b>Sell US\$</b>					
8 months	6.5000	6.8650	100,000	—	(25,267)

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

## 31. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES (Continued)

### Derivatives under hedge accounting (Continued)

As at December 31, 2022, the aggregate amount of losses after tax under foreign currency forward contracts, interest rate swap contracts, collar contracts and forward extra contracts recognized in other comprehensive income relating to the exposure on anticipated future sales transactions, repayment of borrowings and net exposure denominated in US\$ and EUR is RMB80,259,000 (December 31, 2021: RMB125,214,000 gains). The Group separates the intrinsic value and time value of forward extra contracts, designating only the intrinsic value as the hedging instrument. The time value, including any gains or losses, is recognized in other comprehensive income until the hedged transaction occurs and is recognized in profit or loss. It is anticipated that the sales, bank borrowings repayment and net exposure denominated in US\$ and EUR related to foreign currency forward contracts, collar contracts, forward extra contracts, interest rate swap contracts, par forward contracts and partial convertible dual currency structured deposit contract will take place within next 12 months (December 31, 2021: 12 months) at which time the amount deferred in equity will be recycled to profit or loss.

During the current year, loss relating to the ineffective hedge portion of RMB38,062,000 (2021: RMB9,461,000 gains) is recognized immediately in profit or loss, and is included as "loss on derivative financial instruments" in other gains and losses.

During the current year, the aggregated amount of losses previously recognized in comprehensive income and accumulated in equity of RMB246,159,000 (2021: credit RMB419,809,000) are reclassified to revenue when the hedged item affects profit or loss.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

## 32. BORROWINGS

	2022 RMB'000	2021 RMB'000
Secured bank loans	66,700	75,900
Unsecured bank loans	2,716,293	2,686,508
	<u>2,782,993</u>	<u>2,762,408</u>
The carrying amounts of the above borrowings are repayable:		
Within one year	1,321,430	2,121,895
Within a period of more than one year but not exceeding two years	96,954	583,013
Within a period of more than two years but not exceeding five years	1,343,909	27,600
Within a period of more than five years	20,700	29,900
	<u>2,782,993</u>	<u>2,762,408</u>
Less: amounts due within one year shown under current liabilities	<u>(1,321,430)</u>	<u>(2,121,895)</u>
Amounts shown under non-current liabilities	<u>1,461,563</u>	<u>640,513</u>

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:

	2022 RMB'000	2021 RMB'000
Fixed-rate borrowings	66,700	75,900
Variable-rate borrowings	2,716,293	2,686,508
	<u>2,782,993</u>	<u>2,762,408</u>

The Group's variable-rate borrowings carry interest at LIBOR plus 1.1% to 1.2%, European Central Bank Rate plus 1.5%, EURIBOR plus 0.75% and 0.8%, and SOFR plus 0.8%. Interest is reset each one to three months based on the contracts.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

## 32. BORROWINGS (Continued)

The ranges of effective interest rates before the interest rate swap disclosed in Note 31 (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	2022	2021
Effective interest rate:		
Fixed-rate borrowings	4.90%	3.85% to 4.90%
Variable-rate borrowings	0.75% to 5.12%	0.75% to 2.69%

The Group's bank borrowings that are denominated in currencies other than the functional currencies of the respective group entities are set out below:

	2022 RMB'000	2021 RMB'000
US\$	2,089,380	2,359,009
EUR	311,311	302,789

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

	2022 RMB'000	2021 RMB'000
Floating rate		
— expiring within one year	459,219	468,386

At December 31, 2022, the Group's borrowings were secured against the Group's property, plant and equipment as collaterals with carrying amounts of RMB10,448,000 (December 31, 2021: RMB10,597,000).



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

## 32. BORROWINGS (Continued)

In respect of bank loans with carrying amount of RMB2,089,380,000 as 2022 (2021: RMB2,359,009,000), 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 loan with carrying amount of RMB626,814,000 (USD90,000,000)

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"); and
- 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 the 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 loan with carrying amount of RMB766,106,000 (USD110,000,000)

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 the BIOHK:

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



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

## 32. BORROWINGS (Continued)

(iii) Bank loan with carrying amount of RMB696,460,000 (USD100,000,000)

In relation to the Group:

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

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

## 33. LEASE LIABILITIES

	2022 RMB'000	2021 RMB'000
Lease liabilities payable:		
Within one year	149,058	103,561
Within a period of more than one year but not exceeding two years	148,601	114,639
Within a period of more than two year but not exceeding five years	591,944	557,950
Within a period of more than five years	749,065	756,729
	<u>1,638,668</u>	<u>1,532,879</u>
Less: amounts due within one year shown under current liabilities	<u>(149,058)</u>	<u>(103,561)</u>
Amounts shown under non-current liabilities	<u>1,489,610</u>	<u>1,429,318</u>

The weighted average incremental borrowing rates applied to lease liabilities range from 1.5% to 4.9% (2021: from 1.5% to 4.9%).

## 34. DEFERRED INCOME

	2022 RMB'000	2021 RMB'000
Assets related research and other grants	229,612	213,225
Income related research and other grants	8,309	10,903
	<u>237,921</u>	<u>224,128</u>

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

## 34. DEFERRED INCOME (Continued)

Movements of research and other grants:

	Assets related RMB'000	Income related RMB'000	Total RMB'000
At January 1, 2021	211,949	1,791	213,740
Research and other grants received	32,302	120,750	153,052
Credited to profit or loss (Note 6)	(26,292)	(111,638)	(137,930)
Exchange alignment	(4,734)	—	(4,734)
At December 31, 2021	<b>213,225</b>	<b>10,903</b>	<b>224,128</b>
Research and other grants received	<b>44,783</b>	<b>157,421</b>	<b>202,204</b>
Credited to profit or loss (Note 6)	<b>(29,649)</b>	<b>(160,015)</b>	<b>(189,664)</b>
Exchange alignment	<b>1,253</b>	<b>—</b>	<b>1,253</b>
At December 31, 2022	<b>229,612</b>	<b>8,309</b>	<b>237,921</b>

During the year ended December 31, 2022, the Group received research and other grants of RMB44,783,000 (2021: RMB32,302,000) for its investment in laboratory equipment. The grants were recognized in profit or loss over the useful lives of the relevant assets.

## 35. SHARE CAPITAL

**AUTHORIZED:**

	Number of shares	Par value US\$	Authorized share capital US\$
At January 1, 2021, December 31, 2021 and December 31, 2022	<u>6,000,000,000</u>	<u>1/120,000</u>	<u>50,000</u>

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

## 35. SHARE CAPITAL (Continued)

### ISSUED AND FULLY PAID:

	Number of shares	Amount US\$	Shown in the financial statements as RMB'000
At January 1, 2021	4,084,763,060	34,040	225
Issue of new shares (notes i and ii)	128,354,126	1,070	7
Exercise of pre-IPO share options	45,886,428	382	3
At December 31, 2021	<b>4,259,003,614</b>	<b>35,492</b>	<b>235</b>
Issue of new shares (note ii)	<b>39,953,861</b>	<b>333</b>	<b>2</b>
Exercise of pre-IPO share options	<b>22,083,410</b>	<b>184</b>	<b>1</b>
Shares repurchased and cancelled (note iii)	<b>(95,779,000)</b>	<b>(798)</b>	<b>(5)</b>
At December 31, 2022	<b><u>4,225,261,885</u></b>	<b><u>35,211</u></b>	<b><u>233</u></b>

#### Notes:

- On February 10, 2021, the Company issued 118,000,000 new ordinary shares of US\$1/120,000 each through placement to certain independent third parties at a price of HK\$112.00 per share. The net cash proceed of this placement was HK\$13,121,243,000 (equivalent to approximately RMB10,899,029,000), after deducting the issue cost of HK\$94,757,000 (equivalent to approximately RMB78,709,000) from the gross cash proceed of HK\$13,216,000,000 (equivalent to approximately RMB10,977,738,000).
- On June 10, 2021 and June 10, 2022, the Company issued and allotted 10,354,126 and 39,953,861 new ordinary shares at nil consideration to trustee under the Restricted Share Award Scheme or the Global Partner Program Share Scheme, respectively. Details of the Restricted Share Award Scheme are set out in Note 43.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

## 35. SHARE CAPITAL (Continued)

### ISSUED AND FULLY PAID: (Continued)

Notes: (Continued)

- iii. During the year ended December 31, 2022, the Company repurchased its own ordinary shares through The Stock Exchange of Hong Kong Limited as follows:

Month of repurchase	No. of ordinary shares	Price per share		Aggregate consideration paid RMB'000
		Highest HK\$	Lowest HK\$	
January 2022	10,435,500	82.90	78.45	691,056
September 2022	1,500,000	47.80	47.15	64,527
October 2022	49,221,000	50.45	38.20	2,048,871

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

On November 2, 2022, 50,721,000 shares were cancelled, of which 1,500,000 shares and 49,221,000 shares were repurchased in September 2022 and October 2022 respectively.

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

## 36. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concern while maximizing the return to shareholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of net debt, which includes borrowings and lease liabilities disclosed in Notes 32 and 33 respectively, net of cash and cash equivalents, and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure on a continuous basis taking into account the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the issue of new shares as well as the issue of new debts or the redemption of existing debts.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

## 37. FINANCIAL INSTRUMENTS

### a. Categories of financial instruments

	2022 RMB'000	2021 RMB'000
<b>Financial assets</b>		
Financial assets at amortized cost	11,957,814	14,402,724
Financial assets at FVTPL	3,100,808	2,331,712
Investment of an associate measured at FVTPL	1,581,565	752,275
Equity instruments at FVTOCI	41,470	94,413
Derivative financial assets	201,243	490,499
<b>Financial liabilities</b>		
Derivative financial liabilities	425,730	40,890
Financial liabilities at amortized cost	4,707,738	5,391,952

### b. Financial risk management objectives and policies

The Group's major financial assets and liabilities include trade and other receivables, bill receivables, other long-term deposits, financial assets at FVTPL, investment of an associate measured at FVTPL, equity instruments at FVTOCI, derivative financial assets, time deposits, pledged bank deposits, bank balances and cash, derivative financial liabilities, borrowings and trade and other payables. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

#### **Market risk**

The Group's activities expose it primarily to currency risk, interest rate risk and other price risk. There had been no change in the Group's exposure to these risks or the manner in which it managed and measured the risks during the year ended December 31, 2022.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

## 37. FINANCIAL INSTRUMENTS (Continued)

### b. Financial risk management objectives and policies (Continued)

#### *Market risk (Continued)*

##### *Currency risk*

Certain group entities have foreign currency transactions, including sales and purchases, which expose the Group to foreign currency risk. Certain of the Group's bank balances and cash, time deposits, pledged bank deposits, trade and other receivables, trade and other payables and borrowings are denominated in currencies other than the functional currency of the relevant group entities and expose to such foreign currency risk. The carrying amounts of relevant group entities' foreign currency denominated monetary assets and liabilities other than their functional currency are disclosed in the respective notes.

The Group mainly exposes to foreign currency of US\$, EUR, HK\$, JPY, GBP and CHF. The Group entered into several foreign currency forward contracts, collar contracts, forward extra contracts with banks in order to manage the Group's currency risk associated with anticipated sales transactions up to 11 months (2021: 12 months). During the year ended December 31, 2022, the Group also entered into several forward extra contracts, par forward contracts and partial convertible dual currency structured deposit contract with banks in order to manage the Group's currency risk associated with the net exposure denominated in currencies at US\$ and EUR up to 9 months (see Note 31 for details).

Before considering the hedging activities, the carrying amounts of the Group's foreign currency denominated monetary assets (trade and other receivables, pledged bank deposits, time deposits and bank balances and cash) and liabilities (trade and other payables and bank borrowings) at the end of the reporting period are as follows:

	2022 RMB'000	2021 RMB'000
<b>Assets</b>		
US\$	7,414,444	7,839,922
HK\$	32,004	768,562
EUR	22,439	96,088
<b>Liabilities</b>		
US\$	2,249,496	2,606,688
HK\$	—	770,949
EUR	319,397	315,630
CHF	4,588	2,572
GBP	818	—
JPY	85	103



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

## 37. FINANCIAL INSTRUMENTS (Continued)

### b. Financial risk management objectives and policies (Continued)

#### *Market risk (Continued)*

##### *Currency risk (Continued)*

In current year, the Group entered into several forward extra contracts, par forward contracts and partial convertible dual currency structured deposit contract in relation to the net exposure to US\$ with notional amount of US\$675,000,000 (equivalent to RMB4,701,105,000) which are designated as effective hedging relationship. In addition, the Group also entered into several forward extra contracts and par forward contract in relation to the net exposure to EUR for intra-group borrowings with notional amount of EUR580,000,000 (equivalent to RMB4,305,282,000) which are designated as effective hedging relationship. It is the Group's policy to negotiate the terms of the hedge derivatives, to the extent possible, to match or approximate the terms of the hedged items to maximize hedge effectiveness.

##### Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against US\$, HK\$ and EUR, the foreign currencies with which the Group may have a material exposure. No sensitivity analysis has been disclosed for the JPY, CHF and GBP denominated assets/liabilities as the impact on profit is immaterial. 5% represents management's assessment of the reasonably possible change in foreign exchange rate. The sensitivity analysis uses outstanding foreign currency denominated monetary items as a base and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rate. A negative number below indicates a decrease in post-tax profit where RMB strengthens 5% against US\$ and HK\$, while a positive number indicates an increase in post-tax profit where RMB strengthens 5% against HK\$ and EUR.

	2022 RMB'000	2021 RMB'000
<b>Impact on profit or loss before hedging sensitivity:</b>		
US\$	(219,303)	(229,922)
HK\$	(1,359)	105
EUR	12,609	9,645



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

## 37. FINANCIAL INSTRUMENTS (Continued)

### b. Financial risk management objectives and policies (Continued)

#### *Market risk (Continued)*

##### *Currency risk (Continued)*

##### *Sensitivity analysis (Continued)*

After considering that the net exposure to US\$ are hedged through several forward extra contracts, par forward contract and partial convertible dual currency structured deposit contract with notional amount of US\$675,000,000 (equivalent to RMB4,701,105,000), if the RMB strengthens 5% against US\$, the Group's post-tax profit would decrease by RMB84,085,000 for the year ended December 31, 2022 (2021: RMB12,833,000).

##### *Interest rate risk*

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings (see Note 32 for details) and fixed-rate pledged bank deposits (see Note 28 for details) and lease liabilities (see Note 33 for details). The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances (see Note 28 for details) and variable-rate bank borrowings (see Note 32 for details). The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rate on bank balances, time deposits, LIBOR, European Central Bank Rate EURIBOR and SOFR arising from the Group's bank borrowings. The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook. The management will review the proportion of borrowings in fixed and floating rates and ensure they are within reasonable range. During the year ended December 31, 2022, the Group entered into interest rate swaps with banks to minimize its exposure to interest rate fluctuation on its variable-rate bank borrowings.

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates ("IBORs") with alternative nearly risk-free rates. Details of the impacts on the Group's risk management strategy arising from the interest rate benchmark reform and the progress towards implementation of alternative benchmark interest rates are set out under "interest rate benchmark reform" in this note.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

## 37. FINANCIAL INSTRUMENTS (Continued)

### b. Financial risk management objectives and policies (Continued)

#### *Market risk (Continued)*

##### *Interest rate risk (Continued)*

##### Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for its floating-rate borrowings before hedging activity. The analysis is prepared assuming the floating rate borrowings outstanding at the end of the reporting period were outstanding for the whole year. 50 basis points (2021: 50 basis points) increase or decrease are used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. If interest rates had been 50 basis points (2021: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit would have decreased/increased approximately by RMB11,533,000 (2021: decrease/increase approximately by RMB11,803,000). This is mainly attributable to the Group's exposure to interest rates on its floating-rate borrowings.

Bank balances and pledged bank deposits are excluded from sensitivity analysis as the directors of the Company consider that the exposure of cash flow interest rate arising from variable-rate bank balances and pledged bank deposits is insignificant.

##### *Other price risk*

The Group is exposed to other price risk through its equity instruments measured at FVTOCI and financial assets at FVTPL. The management manages this exposure by maintaining a portfolio of investments with different risks. The Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise. The directors of the Company consider that the exposure of other price risk arising from equity instruments measured at FVTOCI is insignificant, therefore no sensitivity analysis on such risk has been prepared.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

## 37. FINANCIAL INSTRUMENTS (Continued)

### b. Financial risk management objectives and policies (Continued)

#### *Market risk (Continued)*

##### *Other price risk (Continued)*

##### Sensitivity analysis

The sensitivity analysis has been determined based on the exposure to equity price risk at the reporting date.

If the prices of the respective financial assets at FVTPL had been 10% (2021:10%) higher/lower, the post-tax profit for the year ended December 31, 2022 would increase/decrease by RMB45,702,000 (2021: RMB23,853,000) as a result of the changes in fair value of listed and unlisted financial assets at FVTPL and the post-tax profit would increase/decrease by RMB80,990,000 (2021: RMB36,605,000) as a result of the changes in fair value of investment of an associate measured at FVTPL.

#### *Credit risk and impairment assessment*

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. At the end of each reporting period, the Group's maximum exposure to credit risk which cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognized financial assets as stated in the consolidated statement of the financial position.

In order to minimize credit risk, the Group has developed and maintained the Group's credit risk grading to categorize exposures according to their degree of risk of default. Management uses publicly available financial information and the Group's own historical repayment records to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and reviewed at the end of the reporting period to ensure the adequate impairment losses are made for irrecoverable amount.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

## 37. FINANCIAL INSTRUMENTS (Continued)

### b. Financial risk management objectives and policies (Continued)

#### *Credit risk and impairment assessment (Continued)*

The Group's current credit risk grading framework comprises the following categories:

Internal credit rating	Description	Trade receivables/ contract assets/ finance lease receivables	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past due amounts	Lifetime ECL-not credit-impaired	12-month ECL
Watch list	Debtor frequently repays after due dates but usually settle after due date in full	Lifetime ECL-not credit-impaired	12-month ECL
Doubtful	There has been a significant increase in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL-not credit-impaired	Lifetime ECL-not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL-credit-impaired	Lifetime ECL-credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

## 37. FINANCIAL INSTRUMENTS (Continued)

### b. Financial risk management objectives and policies (Continued)

#### *Credit risk and impairment assessment (Continued)*

The tables below detail the credit risk exposures of the Group's financial assets, contract assets and finance lease receivables which are subject to ECL assessment:

	Internal credit rating	12-month or lifetime ECL RMB'000	2022 Gross carrying amount RMB'000	2021 Gross carrying amount RMB'000
<b>Financial assets at amortized cost</b>				
Time deposits	Low risk	12-month ECL	304,469	1,147,626
Pledged bank deposits	Low risk	12-month ECL	25,374	217,991
Bank balances	Low risk	12-month ECL	6,395,222	9,003,280
Other receivables	Low risk	12-month ECL	273,255	278,026
Receivables for purchase of raw materials on behalf of customers	(note i)	12-month ECL	196,546	349,404
		Lifetime ECL (not credit-impaired)	82,566	254,413
		Lifetime ECL (credit-impaired)	12,819	13,144
Trade receivables	(note ii)	Lifetime ECL (collective assessment)	4,661,155	3,293,000
		Lifetime ECL (individual assessment)	538,596	134,124
Bill receivables	(note iii)	12-month ECL	—	3,247
Other long-term deposits	Low risk	12-month ECL	45,789	42,216
<b>Other items</b>				
Contract assets	(note ii)	Lifetime ECL (collective assessment)	471,211	143,042
		Lifetime ECL (individual assessment)	48,761	—
Finance lease receivables	(note iv)	Lifetime ECL (collective assessment)	123,337	138,049



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

## 37. FINANCIAL INSTRUMENTS (Continued)

### b. Financial risk management objectives and policies (Continued)

#### *Credit risk and impairment assessment (Continued)*

*Notes:*

- i. For the purposes of internal credit risk management, the Group has applied the general approach in IFRS 9 to measure the loss allowance equal to 12m ECL for those current exposure at default of the debtors being assessed as not having significant increase in credit risk since initial recognition. For those having significant increase in credit risk since initial recognition, the Group recognized lifetime ECL.
- ii. For trade receivables and contract assets, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. Except for the customers which are assessed individually, the Group determines the ECL on these items by using a provision matrix and meanwhile categorizes its customers into three types: low credit risk customers, normal credit risk customers and high credit risk customers, based on the financial quality of debtors and their historical credit loss experience according to the past due status adjusted, as appropriate, to reflect current conditions and estimates of future economic conditions.
- iii. For bills receivable issued by banks, the Group assessed impairment loss individually and concluded that the probability of defaults of the counterparty banks are insignificant. Accordingly, no allowance for credit losses is provided.
- iv. For finance lease receivables, no allowance for credit losses is provided as the finance lease receivables are secured by the related staff living quarters, the probability of defaults by the employees are insignificant.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

## 37. FINANCIAL INSTRUMENTS (Continued)

### b. Financial risk management objectives and policies (Continued)

#### *Credit risk and impairment assessment (Continued)*

##### *Trade receivables and contract assets*

The Group performs impairment assessment under ECL model on trade receivables with significant balances and different credit risk characteristics individually and/or collectively using provision matrix with appropriate groupings. Except for items which are assessed for impairment individually, the remaining trade receivables and contract assets are grouped based on shared credit risk characteristics by reference to the Group's internal credit ratings. As of December 31, 2022, the Group provided RMB272,455,000 and RMB18,947,000 (2021: RMB261,849,000 and RMB10,497,000) impairment allowance for trade receivables and contract assets respectively, based on the provision matrix. Impairment allowance of RMB276,633,000 (2021: RMB41,520,000) was assessed individually on trade receivables with gross carrying amount of RMB538,596,000. Impairment allowance of RMB7,459,000 (2021: nil) was assessed individually on contract assets with gross carrying amount of RMB48,761,000 (2021: nil).

The following table provides information about the exposure to credit risk for trade receivables and contract assets which are assessed based on provision matrix as at December 31, 2022 within lifetime ECL:

Gross carrying amount	2022			2021		
Internal credit rating	Average loss rate	Trade receivables RMB'000	Contract assets RMB'000	Average loss rate	Trade receivables RMB'000	Contract assets RMB'000
Grade A: Low risk and watch list	0.14%	3,096,392	332,483	0.07%	1,849,524	106,317
Grade B: Doubtful	4.23%	1,352,939	126,489	4.13%	1,233,822	27,467
Grade C: Loss	100.00%	211,824	12,239	100.00%	209,654	9,258
		<u>4,661,155</u>	<u>471,211</u>		<u>3,293,000</u>	<u>143,042</u>



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

## 37. FINANCIAL INSTRUMENTS (Continued)

### b. Financial risk management objectives and policies (Continued)

#### *Credit risk and impairment assessment (Continued)*

##### *Trade receivables and contract assets (Continued)*

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management of the Group to ensure relevant information about specific debtors is updated. The contract assets have substantially the same risk characteristics as the trade receivables for the same type of contracts. The Group has therefore concluded that the loss rates for trade receivables are a reasonable approximation of the loss rates for contract assets. The management of the Group has considered the impact of Covid-19 pandemic for the average loss rate used in the ECL model.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

## 37. FINANCIAL INSTRUMENTS (Continued)

### b. Financial risk management objectives and policies (Continued)

#### *Credit risk and impairment assessment (Continued)*

The following table shows the movement in lifetime ECL that has been recognized for trade receivables and contract assets under the simplified approach.

	Lifetime ECL (not credit- impaired) RMB'000	Lifetime ECL (credit- impaired) RMB'000	Total RMB'000
<b>As at January 1, 2021</b>	(69,925)	(115,278)	(185,203)
Changes due to financial instruments recognized as at January 1, 2021:			
— Transfer to credit-impaired	1,667	(1,667)	—
— Impairment losses reversed	54,905	55,503	110,408
New financial assets originated or purchased	(85,314)	(157,470)	(242,784)
Exchange alignment	3,713	—	3,713
<b>As at December 31, 2021</b>	<b>(94,954)</b>	<b>(218,912)</b>	<b>(313,866)</b>
Changes due to financial instruments recognized as at January 1, 2022:			
— Transfer to credit-impaired	8,073	(8,073)	—
— Impairment losses recognized	(10,403)	—	(10,403)
— Impairment losses reversed	—	150,938	150,938
New financial assets originated or purchased	(252,533)	(148,016)	(400,549)
Exchange alignment	(1,614)	—	(1,614)
<b>As at December 31, 2022</b>	<b>(351,431)</b>	<b>(224,063)</b>	<b>(575,494)</b>

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

## 37. FINANCIAL INSTRUMENTS (Continued)

### b. Financial risk management objectives and policies (Continued)

#### *Credit risk and impairment assessment (Continued)*

The following table shows the reconciliation of loss allowances that has been recognized for receivables for purchase of raw materials on behalf of customers.

	12-month ECL RMB'000	Lifetime ECL (not credit- impaired) RMB'000	Lifetime ECL (credit- impaired) RMB'000	Total RMB'000
<b>As at January 1, 2021</b>	(773)	(5,314)	—	(6,087)
Changes due to financial instruments recognized as at January 1, 2021:				
— Transfer to credit-impaired	79	—	(79)	—
— Impairment losses recognized	(199)	(506)	(585)	(1,290)
New financial assets originated or purchased	(1,016)	(9,505)	(12,480)	(23,001)
<b>As at December 31, 2021</b>	<b>(1,909)</b>	<b>(15,325)</b>	<b>(13,144)</b>	<b>(30,378)</b>
Changes due to financial instruments recognized as at January 1, 2022:				
— Transfer to lifetime ECL	173	(173)	—	—
— Transfer to credit-impaired	—	1,498	(1,498)	—
— Impairment losses reversed	1,743	11,290	8,476	21,509
New financial assets originated or purchased	(234)	(13,133)	(6,653)	(20,020)
<b>As at December 31, 2022</b>	<b>(227)</b>	<b>(15,843)</b>	<b>(12,819)</b>	<b>(28,889)</b>

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

## 37. FINANCIAL INSTRUMENTS (Continued)

### b. Financial risk management objectives and policies (Continued)

#### *Credit risk and impairment assessment (Continued)*

For the purposes of impairment assessment, other financial assets are considered to have low credit risk. Accordingly, for the purpose of impairment assessment for these financial assets, the loss allowance is measured at an amount equal to 12-month ECL. In determining the ECL for these financial assets at amortized cost, the directors of the Company have taken into account the historical default experience and the future prospects of the industries and/or considering various external sources of actual and forecast economic information, as appropriate, in estimating the probability of default of each of the other financial assets at amortized cost occurring within their respective loss assessment time horizon, as well as the loss upon default in each case. The directors of the Company considered that the 12-month ECL allowance is insignificant at the end of each reporting period.

#### *Liquidity risk*

In the management of the liquidity risk, the Group monitors and maintains a level of bank balances and cash and unused banking facilities deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The management of the Group monitors the utilization of bank borrowings and ensures compliance with loan covenants.

Bank borrowing is one of the sources of liquidity of the Group. As at December 31, 2022, the Group has available unutilized bank loan facilities of approximately RMB459,219,000 (2021: RMB468,386,000). Details of which are set out in Note 32.

The following table details the Group's remaining contractual maturity for its financial liabilities and derivative instrument. The table has been drawn up based on the undiscounted cash flows of financial liabilities according to the earliest date on which the Group is required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

## 37. FINANCIAL INSTRUMENTS (Continued)

### b. Financial risk management objectives and policies (Continued)

#### *Liquidity risk (Continued)*

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash (inflows) and outflows on derivative instruments that settle on a net basis. When the amount payable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the end of the reporting period. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual settlement dates as the management consider that the settlement dates are essential for an understanding of the timing of the cash flows of derivatives.

	Weighted average interest rate	On demand or less than one year RMB'000	One to five years RMB'000	Over five years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
<b>2022</b>						
Trade and other payables	N/A	1,924,745	—	—	1,924,745	1,924,745
Bank borrowings						
— fixed rate	4.90%	12,468	45,365	21,714	79,547	66,700
— variable rate	0.75% to 5.12%	1,386,062	1,515,599	—	2,901,661	2,716,293
Total financial liabilities		3,323,275	1,560,964	21,714	4,905,953	4,707,738
Lease liabilities	1.5% to 4.9%	198,014	870,586	824,204	1,892,804	1,638,668
		3,521,289	2,431,550	845,918	6,798,757	6,346,406
<b>Derivative — net settlement</b>						
Foreign currency forward contracts, partial convertible dual currency structured deposit contract, forward extra contracts and par forward contracts		425,730	—	—	425,730	425,730

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

## 37. FINANCIAL INSTRUMENTS (Continued)

### b. Financial risk management objectives and policies (Continued)

#### *Liquidity risk (Continued)*

	Weighted average interest rate	On demand or less than one year RMB'000	One to five years RMB'000	Over five years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
<b>2021</b>						
Trade and other payables	N/A	2,610,628	18,916	—	2,629,544	2,629,544
Bank borrowings						
— fixed rate	3.85% to 4.90%	12,674	46,192	32,220	91,086	75,900
— variable rate	0.75% to 2.69%	2,135,674	581,372	—	2,717,046	2,686,508
Total financial liabilities		4,758,976	646,480	32,220	5,437,676	5,391,952
Lease liabilities	1.5% to 4.9%	148,986	814,209	843,450	1,806,645	1,532,879
		4,907,962	1,460,689	875,670	7,244,321	6,924,831
<b>Derivative — gross settlement</b>						
Interest rate swap		481	—	—	481	481
<b>Derivative — net settlement</b>						
Foreign currency forward, interest rate swap, forward extra contracts and European vanilla option contracts		40,409	—	—	40,409	40,409

#### *Interest rate benchmark reform*

As listed in Note 32, several of the Group's LIBOR/European Central Bank Rate/EURIBOR bank loans will or may be subject to the interest rate benchmark reform. The Group is closely monitoring the market and managing the transition to new benchmark interest rates, including announcements made by the relevant IBOR regulators.

#### *LIBOR*

As at December 31, 2022, all LIBOR settings have been either ceased to be provided by any administrator or no longer be representative, except for US dollar settings (other than the 1-week and 2-month settings) which will be ceased immediately after 30 June 2023.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

## 37. FINANCIAL INSTRUMENTS (Continued)

### b. Financial risk management objectives and policies (Continued)

#### *Interest rate benchmark reform (Continued)*

##### *(i) Risks arising from the interest rate benchmark reform*

The following are the key risks for the Group arising from the transition:

#### Interest rate related risks

For contracts which have not been transitioned to the relevant alternative benchmark rates and without detailed fallback clauses, if the bilateral negotiations with the Group's counterparties are not successfully concluded before the cessation of LIBOR, European Central Bank Rate and EURIBOR, there are significant uncertainties with regard to the interest rate that would apply. This gives rise to additional interest rate risk that was not anticipated when the contracts were entered into.

There are fundamental differences between IBORs and the various alternative benchmark rates. IBORs are forward looking term rates published for a period (e.g. 3 months) at the beginning of that period and include an inter-bank credit spread, whereas alternative benchmark rates are typically risk-free overnight rates published at the end of the overnight period with no embedded credit spread. These differences will result in additional uncertainty regarding floating rate interest payments.

#### Interest rate basis risk

Interest rate basis risk may arise if a non-derivative instrument and the derivative instrument held to manage the interest risk on the non-derivative instrument transition to alternative benchmark rates at different times. This risk may also arise where back-to-back derivatives transition at different times. The Group will monitor this risk against its risk management policy which has been updated to allow for temporary mismatches of up to 12 months and transact additional basis interest rate swaps if required.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

## 37. FINANCIAL INSTRUMENTS (Continued)

### b. Financial risk management objectives and policies (Continued)

#### *Interest rate benchmark reform (Continued)*

##### *(ii) Progress towards implementation of alternative benchmark interest rates*

As at December 31, 2022, the Group was exposed to the LIBOR, European Central Bank Rate and EURIBOR, which are subject to interest rate benchmark reform.

The Group has closely monitored the market and the output from the various industry working groups managing the transition to new benchmark interest rates. This includes announcements made by LIBOR regulators (including the FCA and the US Commodity Futures Trading Commission) regarding the transition away from LIBOR to the Secured Overnight Financing Rate ("SOFR").

In response to the announcements, the Group's treasury team monitors where LIBOR exposures are within the business and prepare and deliver on an action plan to enable a smooth transition to alternative benchmark rates.

None of the Group's current LIBOR, European Central Bank Rate or EURIBOR linked contracts include adequate and robust fall back provisions for a cessation of the referenced benchmark interest rate. Different working groups in the industry are working on fall back language for different instruments and different IBORs, which the Group is monitoring closely and will look to implement these when appropriate.

The Group will continue to apply the amendments to IFRS 9 until the uncertainty arising from the interest rate benchmark reforms with respect to the timing and the amount of the underlying cash flows that the Group is exposed ends. The Group has assumed that this uncertainty will not end until the Group's contracts that reference IBORs are amended to specify the date on which the interest rate benchmark will be replaced, the cash flows of the alternative benchmark rate and the relevant spread adjustment. This will, in part, be dependent on the introduction of fall back clauses which have yet to be added to the Group's contracts and the negotiation with lenders.

The Group accounted for the changes using the practical expedient in IFRS 9 which allows the Group to change the basis for determining the contractual cash flows prospectively by revising the effective interest rate.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

## 37. FINANCIAL INSTRUMENTS (Continued)

### b. Financial risk management objectives and policies (Continued)

#### *Interest rate benchmark reform (Continued)*

##### *(ii) Progress towards implementation of alternative benchmark interest rates (Continued)*

The Group is planning to transition the majority of its remaining IBOR-linked contracts through introduction of, or amendments to, fallback clauses into the contracts which will change the basis for determining the interest cash flows from IBOR to alternative reference rate at an agreed point in time.

The following table shows the total amounts of outstanding contracts and the progress in completing the transition to alternative benchmark rates. The amounts of financial assets and liabilities are shown at their carrying amounts and derivatives are shown at their notional amounts.

As at 31 December 2022

Financial instruments prior to transition	Maturing in	Carrying amounts/ notional amounts RMB'000	Hedge accounting	Transition progress for financial instruments
<b>Non-derivative financial assets</b>				
Debt instruments linked to 3-month USD LIBOR	2024	626,814	N/A	Expected to transition latest by H2 2023. Detailed fallback clauses were incorporated in Q3 2022.
<b>Derivatives</b>				
Cash flow hedge — Receive 3-month USD LIBOR+1.1%, pay EUR variable interest rate swaps	2023	28,950	USD LIBOR bank loan of the same maturity and nominal as the swap	To transit derivatives via International Swaps and Derivatives Association protocol.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

## 37. FINANCIAL INSTRUMENTS (Continued)

### c. Fair value measurements of financial instruments

Some of the Group's financial instruments are measured at fair value for financial reporting purposes. The directors of the Company have set up a valuation committee, which is headed up by the Chief Financial Officer of the Company, to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value, the Group uses market-observable data to the extent it is available. For instruments under Level 2 and Level 3, the Group engages third party qualified valuers to perform the valuation. The valuation committee works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The Chief Financial Officer reports the valuation committee's findings to the directors of the Company every quarter to explain the cause of fluctuations in the fair value.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

## 37. FINANCIAL INSTRUMENTS (Continued)

### c. Fair value measurements of financial instruments (Continued)

#### (i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique and key inputs	Significant unobservable inputs
	December 31, 2022	December 31, 2021			
Financial assets at FVTPL	Listed equity securities: RMB380,171,000	Listed equity securities: RMB756,872,000	Level 1	Active market quoted transaction price (note i)	N/A
	Unlisted equity investments: RMB458,652,000	Unlisted equity investments: RMB130,280,000	Level 3	Back-solve from recent transaction price, option pricing model and/or adjusted net asset value method	Probability of qualified initial public offering ("IPO"), redemption and liquidation, risk-free rate and expected volatility
	Unlisted equity investments: RMB167,733,000	Unlisted equity investments: RMB360,982,000	Level 3	Comparable company method	Liquidity discount
	Unlisted equity investments: RMB79,620,000	Unlisted equity investments: RMB108,000,000	Level 3	Discounted cash flows method and option pricing model	Discount rate, probability of conversion, redemption and liquidation, risk-free rate and expected volatility
	Wealth management products: RMB2,014,632,000	Wealth management products: RMB975,578,000	Level 2	Discounted cash flows method, estimated based on expected return and market foreign exchange rate	N/A
Equity instruments at FVTOCI	Unlisted equity investments: RMB41,470,000	Unlisted equity investments: RMB94,413,000	Level 3	Comparable company method and discounted cash flows method	Liquidity discount and Discount rate
Investment of an associate measured at FVTPL	Investment of an associate measured at FVTPL: RMB1,581,565,000	Investment of an associate measured at FVTPL: RMB752,275,000	Level 3	Back-solve from recent transaction price and option pricing model	Probability of qualified IPO or sales, redemption and liquidation, risk-free rate and expected volatility
Foreign currency forward contracts, collars contracts, interest rate swap contracts, par forward contracts, partial convertible dual currency structured deposit contract and forward extra contracts classified as derivative financial assets and liabilities	Derivative financial assets: RMB201,243,000	Derivative financial assets: RMB490,499,000	Level 2	Future cash flows are estimated based on forward exchange rates and contracted forward rates, discounted at a rate that reflects the credit risk of the banks.	
	Derivative financial liabilities: RMB425,730,000	Derivative financial liabilities: RMB40,890,000			

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

## 37. FINANCIAL INSTRUMENTS (Continued)

### c. Fair value measurements of financial instruments (Continued)

#### (i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Note:

- i. These equity investments were listed on the Stock Exchange or National Association of Securities Dealers Automated Quotations ("NASDAQ") market, with the shares traded in an active market. Therefore, the fair value of such investments as at December 31, 2022 and December 31, 2021 was determined based on the market price and classified as Level 1 of the fair value hierarchy.

#### (ii) Reconciliation of Level 3 fair value measurements of financial assets

	Equity instruments at FVTOCI RMB'000	Financial assets at FVTPL RMB'000	Investment of an associate measured at FVTPL RMB'000
<b>At January 1, 2021</b>	127,167	105,982	—
Total gains (losses)			
— in profit or loss	—	18,214	366,053
— in other comprehensive income	(29,819)	—	—
Purchases	—	207,652	200,000
Transfers into level 3	—	343,731	187,520
Transfers out of level 3	—	(75,982)	—
Exchange alignment	(2,935)	(335)	(1,298)
<b>At December 31, 2021</b>	<b>94,413</b>	<b>599,262</b>	<b>752,275</b>
Total gains (losses)			
— in profit or loss	—	(94,978)	809,898
— in other comprehensive income	(59,731)	—	—
Purchases	—	168,839	—
Exchange alignment	6,788	32,882	19,392
<b>At December 31, 2022</b>	<b>41,470</b>	<b>706,005</b>	<b>1,581,565</b>

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

## 37. FINANCIAL INSTRUMENTS (Continued)

### c. Fair value measurements of financial instruments (Continued)

#### *(iii) Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis*

The management of the Group considers the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the consolidated financial statements approximate their fair value.

The fair values of these financial assets and financial liabilities at amortized cost are determined in accordance with generally accepted pricing models based on discounted cash flow analysis with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

## 38. CAPITAL COMMITMENTS

The Group had capital commitments for land, equipment purchase and building construction, acquisition of an associate and investments accounted as financial assets at FVTPL under non-cancellable contracts as follows:

	2022 RMB'000	2021 RMB'000
Contracted but not provided for		
— Land, property, plant and equipment	1,896,198	3,035,768
— Financial assets at FVTPL	74,650	95,363
	<u>1,970,848</u>	<u>3,131,131</u>

## 39. RETIREMENT BENEFIT PLANS

The employees of the Group's subsidiaries are members of the state-managed retirement benefits schemes operated by government. The subsidiaries are required to contribute a certain percentage of payroll costs to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes is to make the specified contributions.

The total cost charged to profit or loss in respect of the above-mentioned schemes amounted to approximately RMB332,120,000 for the year ended December 31, 2022 (2021: RMB208,076,000).



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

## 40. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both the cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Bank borrowings RMB'000	Interest prepayments and payable RMB'000	Lease liabilities RMB'000	Total RMB'000
At January 1, 2021	2,604,749	(20,621)	727,224	3,311,352
Financing cash flows	(52,983)	(43,234)	(133,809)	(230,026)
Interest expenses	—	53,509	39,966	93,475
New leases entered	—	—	940,630	940,630
Covid-19-related rent concessions	—	—	(188)	(188)
Acquisition of subsidiaries	301,136	—	14,364	315,500
Early terminated lease	—	—	(2,113)	(2,113)
Exchange alignment	(90,494)	625	(53,195)	(143,064)
At December 31, 2021	<b>2,762,408</b>	<b>(9,721)</b>	<b>1,532,879</b>	<b>4,285,566</b>
Financing cash flows	(173,933)	(57,532)	(171,792)	(403,257)
Interest expenses	—	63,187	50,707	113,894
New leases entered	—	—	184,344	184,344
Exchange alignment	<b>194,518</b>	<b>90</b>	<b>42,530</b>	<b>237,138</b>
At December 31, 2022	<b>2,782,993</b>	<b>(3,976)</b>	<b>1,638,668</b>	<b>4,417,685</b>

The financing cash flows of bank borrowings represent the proceeds from and repayment of bank borrowings and interest paid in the consolidated statement of cash flows.

## 41. ACQUISITION OF SUBSIDIARIES/BUSINESS

During the year ended December 31, 2021, the Group acquired 100% shares of CMAB Group, WuXi Biologics (Zhejiang) Co., Ltd (previously known as Pfizer Biologics (Hangzhou) Company Limited) and Payload and Linker Business from independent third parties. Details of the aforementioned acquisitions were set out in the Group's 2021 Annual Report published on the website of the Stock Exchange.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

## 42. RELATED PARTY TRANSACTIONS AND BALANCES

In addition to the balances disclosed in Notes 26, 27, 29 and 30, the Group had the following significant transactions and balances with related parties:

### (a) Related party transactions

#### *Provision of research and development service to related parties*

	2022 RMB'000	2021 RMB'000
Shanghai SynTheAll Pharmaceutical Co., Ltd. ("STA")	1,890	17
Duoning ( <i>note i</i> )	1,467	1,765
WuXi AppTec (Shanghai) Co., Ltd. ("WXAT Shanghai")	829	720
Shanghai STA Pharmaceutical R&D Co., Ltd. ("STA R&D")	279	108
WuXi ATU Co., Ltd. ("WuXi ATU")	49	—
Changzhou SynTheAll Pharmaceutical Co., Ltd. ("STA Changzhou")	—	7,250
WuXi MedImmune Biopharmaceutical Co., Ltd. ("WX MedImmune") ( <i>note ii</i> )	—	756
WuXi Zekang Biotechnology (Suzhou) Co., Ltd.	—	425
WuXi AppTec (Wuhan) Co., Ltd.	—	26
	<b>4,514</b>	<b>11,067</b>

#### *Notes:*

- As disclosed in Note 17, Duoning is an investment of an associate measured at FVTPL of the Group.
- WX MedImmune is a joint venture held by WuXi AppTec (Hong Kong) Limited, an indirect wholly-owned subsidiary of WuXi AppTec Co., Ltd.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

## 42. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

### (a) Related party transactions (Continued)

#### *Sales of materials to related parties*

	2022 RMB'000	2021 RMB'000
WuXi ATU	2,125	3,045
Duoning	1,859	10
Shanghai Shengji Health Biotechnology Co., Ltd.	51	—
WuXi AppTec (Nantong) Co., Ltd. ("WANT")	23	—
WXAT Shanghai	—	12
	<u>4,058</u>	<u>3,067</u>

#### *Sales of property, plant and equipment to related parties*

	2022 RMB'000	2021 RMB'000
WXAT Shanghai	<u>—</u>	<u>3,849</u>

#### *Provision of other services to related parties*

	2022 RMB'000	2021 RMB'000
Shanghai Lianghei Technology Co., Ltd. ("Lianghei") (note)	<u>—</u>	<u>88</u>

*Note:* Lianghei is a subsidiary of Duoning.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

## 42. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

### (a) Related party transactions (Continued)

#### *Testing service received*

	2022 RMB'000	2021 RMB'000
STA R&D	43,609	—
WuXi AppTec (Suzhou) Co., Ltd. ("WASZ")	32,289	13,585
STA Changzhou	17,696	—
WXAT Shanghai	5,786	7,269
STA Pharmaceutical Hong Kong Limited ("STA HK")	3,102	19,479
Nanjing Mingjie Biomedical Testing Co., Ltd. ("NJ Mingjie")	1,677	—
WuXi Diagnostic Medical Testing Institute (Shanghai) Co., Ltd. ("WuXi Diagnostic")	703	295
WANT	333	43
STA	120	—
Shanghai MedKey Med-Tech Development Co., Ltd. ("MedKey") (note i)	67	26
Duoning	51	20
WuXi NextCode Genomics (Shanghai) Co., Ltd. ("NextCode Shanghai") (note ii)	—	3,529
WuXi Clinical Development Services (Shanghai) Co., Ltd.	—	534
XenoBiotic Laboratories, Inc. ("XBL")	—	257
WuXi AppTec (Tianjin) Co., Ltd.	—	62
	<b>105,433</b>	<b>45,099</b>

#### *Notes:*

- i. The amounts of transactions for the prior year with MedKey represented the transactions between MedKey and WuXi Biologics (Zhejiang) Co., Ltd since acquisition date.
- ii. NextCode Shanghai was no longer ultimately controlled by the Shareholders of the Company as defined in Note 42(b) and thus was no longer a related party of the Group since September 2, 2021. The transactions for the prior year disclosed represented the transactions from January 1, 2021 to September 1, 2021.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

## 42. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

### (a) Related party transactions (Continued)

#### *Other services received*

	2022 RMB'000	2021 RMB'000
Shanghai Waigaoqiao WuXi AppTec Incubator Management Co., Ltd. ("WXAT Incubator") (note i)	3,950	1,280
Chengdu Kangde Renze Real Estate Co., Ltd. ("Renze")	2,628	—
WXAT Shanghai	2,511	2,479
WuXi AppTec Korea Co., Ltd.	1,680	1,616
STA Changzhou	1,034	294
CMA Metrology & Validation Lab Service (Shanghai) Co., Ltd ("CMA Shanghai") (note ii)	935	—
NextCode Shanghai	—	231
	<u>12,738</u>	<u>5,900</u>

#### *Notes:*

- i. WXAT Incubator is a joint venture held by WXAT Shanghai, an indirect wholly-owned subsidiary of WuXi AppTec Co., Ltd.
- ii. CMA Shanghai is a subsidiary of Duoning.

#### *Purchase of materials*

	2022 RMB'000	2021 RMB'000
Duoning	118,374	116,173
STA	36,176	3,569
WXAT Shanghai	24,912	—
STA Changzhou	4,236	—
Shanghai Biopro Industrial Development Co., Ltd ("Shanghai Biopro") (note)	1,851	—
Lianghei	411	8,603
	<u>185,960</u>	<u>128,345</u>

*Note:* Shanghai Biopro is a subsidiary of Duoning.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

## 42. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

### (a) Related party transactions (Continued)

#### *Purchase of property, plant and equipment*

	2022 RMB'000	2021 RMB'000
Duoning	19,727	3,216
Renze	3,599	—
WXAT Shanghai	3	162
Lianghei	—	76
	<u>23,329</u>	<u>3,454</u>

#### *Interest expense on lease liabilities*

	2022 RMB'000	2021 RMB'000
WXAT Incubator	237	50
WXAT Shanghai	89	141
NextCode Shanghai	—	101
	<u>326</u>	<u>292</u>

#### *Expense relating to short-term leases*

	2022 RMB'000	2021 RMB'000
STA Changzhou	<u>3,865</u>	<u>1,154</u>

#### *Loan and related interest income*

	2022 RMB'000	2021 RMB'000
Duoning	<u>—</u>	<u>54</u>

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

## 42. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

### (b) Related party balances

As at December 31, 2022 and 2021, the Group had balances with related parties as follows:

	2022 RMB'000	2021 RMB'000
<b>Amounts due from related parties</b>		
<b>Trade related</b>		
Duoning	2,617	1,944
Less: Allowance for credit losses	(109)	(76)
STA	1,996	9
Less: Allowance for credit losses	(89)	—
WXAT Shanghai	887	15
Less: Allowance for credit losses	(1)	—
WX MedImmune	—	399
	<u>5,301</u>	<u>2,291</u>
	2022 RMB'000	2021 RMB'000
<b>Contract assets</b>		
STA Changzhou	7,250	7,685
Less: Allowance for credit losses	(44)	(2)
	<u>7,206</u>	<u>7,683</u>
	2022 RMB'000	2021 RMB'000
<b>Advances to suppliers</b>		
WASZ	10,945	12,526
Duoning	5,400	—
WXAT Incubator	650	14
MedKey	—	67
	<u>16,995</u>	<u>12,607</u>

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

## 42. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

### (b) Related party balances (Continued)

	2022 RMB'000	2021 RMB'000
<b>Amounts due to related parties</b>		
<b>Trade related</b>		
STA R&D	39,973	61
STA	26,227	2,148
Duoning	13,803	36,908
WXAT Shanghai	13,600	1,003
WASZ	12,590	2,318
STA Changzhou	5,322	—
STA HK	3,034	19,498
CMA Shanghai	169	—
NJ Mingjie	987	—
Lianghei	91	25
XBL	—	253
	<u>115,796</u>	<u>62,214</u>
<b>Non-trade related</b>		
STA Changzhou	22,594	1,570
Duoning	17,933	2,878
Renze	189	—
WXAT Shanghai	—	2,500
WASZ	—	1,660
WuXi Diagnostic	—	249
	<u>40,716</u>	<u>8,857</u>
	<b>2022 RMB'000</b>	<b>2021 RMB'000</b>
<b>Contract liabilities</b>		
STA R&D	—	46
WuXi ATU	—	52
	<u>—</u>	<u>98</u>



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

## 42. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

### (b) Related party balances (Continued)

	2022 RMB'000	2021 RMB'000
<b>Lease liabilities</b>		
WXAT Incubator	4,496	—
WXAT Shanghai	1,194	2,334
	<u>5,690</u>	<u>2,334</u>

During the year ended December 31, 2022, the Group entered into new lease agreements with WXAT Incubator for three years. The Group has recognized an addition of right-of-use assets and lease liabilities of RMB6,698,000 and RMB6,618,000 respectively.

	2022 RMB'000	2021 RMB'000
<b>Consideration payable for acquisition of business</b>		
STA Changzhou	—	280,000
	<u>—</u>	<u>280,000</u>

Except for loan receivables and lease liabilities, all the above balances with related parties are unsecured, interest free and repayable on demand.

Except for WX MedImmune, Duoning, WXAT Incubator, Lianghei, Nextcode Shanghai, Shanghai Biopro and CMA Shanghai of which the relationship with the Group have been disclosed separately as above, all of the other related parties mentioned above are considered as related parties of the Group throughout the entire reporting period, because they are ultimately controlled by Dr. Ge Li; Dr. Ning Zhao, the spouse of Dr. Ge Li; Mr. Xiaozhong Liu and Mr. Zhaohui Zhang (collectively referred to as the "Shareholders"), who are all acting in concert and have significant influence in WuXi Biologics Holdings Limited ("Biologics Holdings"), the immediate and ultimate holding company of the Company.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

## 42. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

### (c) Compensation of key management personnel

The remuneration of the directors of the Company and other members of key management of the Group during the year was as follows:

	2022 RMB'000	2021 RMB'000
Director's fee	1,084	559
Salaries and other benefits	13,624	13,013
Performance-based bonus	5,549	5,467
Retirement benefits scheme contributions	96	168
Share-based compensation	147,305	85,158
	<u>167,658</u>	<u>104,365</u>

The remuneration of key management is determined with reference to the performance of the individuals and market trends.

## 43. SHARE-BASED COMPENSATION

### (a) Pre-IPO Share Option Scheme

The Company's Pre-IPO Share Option Scheme was adopted pursuant to resolutions passed on January 5, 2016 for the primary purpose of attracting, retaining and motivating employees and directors. Under the Pre-IPO Share Option Scheme, the directors of the Company may grant up to 144,600,000 (before the effect of the Share Subdivision\*) share options to eligible employees, including the directors of the Company and its subsidiaries, to subscribe for shares in the Company. Grantee accepting an option grant offered by the Company has to sign an acceptance letter and pay to the Company an amount of HK\$1.00 (before the effect of the Share Subdivision) as consideration for the grant.

Upon the Share Subdivision became effective, pro-rata adjustments were made to the exercise prices and the number of share options outstanding, so as to give the eligible employees the same proportion of the equity capital as that they were entitled to before the effect of the Share Subdivision.

\* Pursuant to a shareholders' resolution passed at an extraordinary general meeting on November 12, 2020, the authorized and issued shares of the Company were subdivided on the basis that every one issued share is subdivided into three subdivided shares (the "Share Subdivision"). The Share Subdivision became effective on November 16, 2020.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

## 43. SHARE-BASED COMPENSATION (Continued)

### (a) Pre-IPO Share Option Scheme (Continued)

Each option granted under the Pre-IPO Share Option Scheme can only be exercised in the following manners (each date on which any portion of option granted shall be vested is hereinafter referred to as a "Vesting Date" and each tranche on which any portion of option granted shall be vested is hereinafter referred to as a "Tranche"):

Tranche	Vesting Date
twenty percent (20%) of the shares subject to an option so granted	second (2nd) anniversary of the offer date for an Option
twenty percent (20%) of the shares subject to an option so granted	third (3rd) anniversary of the offer date for an Option
twenty percent (20%) of the shares subject to an option so granted	fourth (4th) anniversary of the offer date for an Option
forty percent (40%) of the shares subject to an option so granted	fifth (5th) anniversary of the offer date for an Option

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

## 43. SHARE-BASED COMPENSATION (Continued)

### (a) Pre-IPO Share Option Scheme (Continued)

Set out below are details of the movements of the outstanding options granted under the Pre-IPO Share Option Scheme during the years ended December 31, 2022 and 2021:

Option batch	Outstanding as at January 1, 2022	Granted	Exercised	Forfeited	Outstanding as at December 31, 2022
January 7, 2016	131,901,326	—	9,281,425	—	122,619,901
March 28, 2016	1,398,725	—	447,000	—	951,725
August 10, 2016	7,435,400	—	1,215,850	—	6,219,550
November 11, 2016	4,934,803	—	2,551,700	—	2,383,103
March 15, 2017	41,632,793	—	7,935,210	—	33,697,583
May 12, 2017	5,698,630	—	652,225	—	5,046,405
	<u>193,001,677</u>	<u>—</u>	<u>22,083,410</u>	<u>—</u>	<u>170,918,267</u>
Exercisable at the end of the year	<u>167,686,477</u>				<u>170,918,267</u>
Weighted average exercise price (US\$)	<u>0.22</u>	<u>—</u>	<u>0.26</u>	<u>—</u>	<u>0.22</u>
Option batch	Outstanding as at January 1, 2021	Granted	Exercised	Forfeited	Outstanding as at December 31, 2021
January 7, 2016	167,037,100	—	35,135,774	—	131,901,326
March 28, 2016	2,254,075	—	855,350	—	1,398,725
August 10, 2016	9,433,200	—	1,810,600	187,200	7,435,400
November 11, 2016	8,508,500	—	3,544,897	28,800	4,934,803
March 15, 2017	46,300,500	—	3,906,907	760,800	41,632,793
May 12, 2017	6,331,530	—	632,900	—	5,698,630
	<u>239,864,905</u>	<u>—</u>	<u>45,886,428</u>	<u>976,800</u>	<u>193,001,677</u>
Exercisable at the end of the year	<u>89,823,673</u>				<u>167,686,477</u>
Weighted average exercise price (US\$)	<u>0.22</u>	<u>—</u>	<u>0.20</u>	<u>0.31</u>	<u>0.22</u>

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

## 43. SHARE-BASED COMPENSATION (Continued)

### (a) Pre-IPO Share Option Scheme (Continued)

The estimated fair value of the Pre-IPO share options at the date of grant were approximately US\$20,489,000, US\$555,000, US\$1,773,000, US\$2,227,000, US\$9,430,000 and US\$2,974,000 for the January 7, 2016, March 28, 2016, August 10, 2016, November 11, 2016, March 15, 2017 and May 12, 2017 option batch, respectively. The fair value was calculated using the Binomial model. The major inputs into the model are as follows:

Grant date	January 7, 2016	March 28, 2016	August 10, 2016	November 11, 2016	March 15, 2017	May 12, 2017
Share price (US\$) (note)	0.1600	0.1600	0.2167	0.2500	0.3167	0.5500
Exercise price (US\$) (note)	0.1667	0.1667	0.2200	0.2633	0.3400	0.6000
Expected volatility	40.80%	40.80%	40.92%	40.87%	40.65%	40.46%
Expected life (years)	10	10	10	10	10	10
Risk-free interest rate	2.92%	2.92%	2.72%	2.83%	3.39%	3.67%
Forfeiture rate	7.70%	7.70%	7.70%	7.70%	7.70%	7.70%

*Note:* The share price and exercise price represent the prices after the effect of the Share Subdivision effected on November 16, 2020.

Share price is determined as the total fair value of the Company's equity divided by the total number of shares. To determine the grant date fair values of the Company's equity prior to the Company's Initial Public Offering on May 31, 2017, the Company used primarily the discounted cash flow method under the income approach, using cash flow projections based on financial forecasts approved by management covering a five-year period as appropriate and a discount rate of 13%. Cash flow beyond that five-year period has been extrapolated using a steady 5% growth rate. This growth rate does not exceed the long-term average growth rate for the market in which the Group operates. The result from the income approach was cross checked with the market approach, which incorporates certain assumptions, including the market performance of comparable listed companies, as well as the financial results and growth trends of the Company, to derive the total equity of the Group.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

## 43. SHARE-BASED COMPENSATION (Continued)

### (a) Pre-IPO Share Option Scheme (Continued)

The risk-free interest rate was based on market yield rate of China government bonds with the term corresponding to the contractual life of the options. Expected volatility was determined by using the historical volatility of the comparable companies. Changes in variables and assumptions may result in changes in the fair values of the share options.

The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

The Group recognized total expense of approximately RMB1,384,000 for the year ended December 31, 2022 (2021: RMB7,341,000) in relation to share options granted by the Company under the Pre-IPO Share Option Scheme.

In respect of the share options exercised during the year, the weighted average share price at the dates of exercise was HK\$59.80 (2021: HK\$109.14 after the effect of the Share Subdivision).



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

## 43. SHARE-BASED COMPENSATION (Continued)

### (b) Restricted Share Award Scheme

On January 15, 2018, the Company adopted the Restricted Share Award Scheme for the primary purpose of (i) recognize the contributions by certain employees of the Group and directors of the Company (the "Selected Participants under Restricted Share Award Scheme"); (ii) encourage, motivate and retain the Selected Participants under Restricted Share Award Scheme, whose contributions are beneficial to the continual operation, development and long-term growth of the Group; and (iii) provide additional incentive for the Selected Participants under Restricted Share Award Scheme to achieve performance goals, with a view to achieving the objectives of increasing the value of the Group and aligning the interests of the Selected Participants under Restricted Share Award Scheme to the shareholders of the Company through ownership of Shares. The total number of the restricted shares underlying all grants made pursuant to the Restricted Share Award Scheme shall not exceed three percent of the issued share capital of the Company as at the adoption date (i.e. 34,953,032 shares before the effect of the Share Subdivision).

The Company will issue and allot to trustee new shares under the general mandate granted by the shareholders of the Company from time to time. The new shares so issued will be held on trust until the end of each vesting period and will be transferred to the Selected Participants under Restricted Share Award Scheme upon satisfaction of the relevant original vesting conditions.

The fair value of the restricted shares awarded was determined based on the market value of the Company's shares at the grant date.

Upon the Share Subdivision became effective, pro-rata adjustments have been made to the number of outstanding restricted shares, so as to give the Selected Participants under Restricted Share Award Scheme the same proportion of the equity capital as that they were entitled to before the effect of the Share Subdivision.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

## 43. SHARE-BASED COMPENSATION (Continued)

### (b) Restricted Share Award Scheme (Continued)

Except for 14,138 (before the effect of the Share Subdivision) restricted shares granted on June 5, 2019, 11,400 (before the effect of the Share Subdivision) restricted shares granted on June 9, 2020, 12,335 (after the effect of the Share Subdivision) restricted shares granted on June 16, 2021 and 16,581 (after the effect of the Share Subdivision) restricted shares granted on June 10, 2022 with vesting period of one year, and 56,018 (after the effect of the Share Subdivision) restricted shares granted on March 24, 2021 with forty percent of such restricted shares were vested during the year ended December 31, 2021, and twenty and forty percent of such restricted shares shall be vested in the following two years, respectively, and 50,933 (after the effect of the Share Subdivision) restricted shares granted on November 23, 2021 with different vesting schedule from 3 years to 5 years, each other restricted share granted under the Restricted Share Award Scheme can only be vested in the following manners (each date on which any portion of restricted share granted shall be vested is hereinafter referred to as a "Vesting Date of Restricted Share Award Scheme" and each tranche on which any portion of restricted share granted shall be vested is hereinafter referred to as a "Batch under Restricted Share Award Scheme"):

Batch under Restricted Share Award Scheme	Vesting Date of Restricted Share Award Scheme
twenty percent (20%) of the restricted shares so granted	second (2nd) anniversary of the grant date for an restricted share
twenty percent (20%) of the restricted shares so granted	third (3rd) anniversary of the grant date for an restricted share
twenty percent (20%) of the restricted shares so granted	fourth (4th) anniversary of the grant date for an restricted share
forty percent (40%) of the restricted shares so granted	fifth (5th) anniversary of the grant date for an restricted share

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

## 43. SHARE-BASED COMPENSATION (Continued)

### (b) Restricted Share Award Scheme (Continued)

Set out below are details of the movements of the outstanding restricted shares granted under the Restricted Share Award Scheme during the years ended December 31, 2022 and 2021:

Batch	Outstanding as at January 1, 2022	Granted	Vested	Forfeited	Cancelled due to joining the Subsidiary Share Option Scheme during the period (note i)	Outstanding as at December 31, 2022	Fair value per share at the date of grant (note ii)
January 15, 2018	3,128,778	—	1,042,926	92,736	38,844	1,954,272	HK\$18.333
March 20, 2018	2,457,027	—	816,099	122,154	78,498	1,440,276	HK\$25.233
June 13, 2018	886,641	—	287,457	52,545	2,430	544,209	HK\$29.500
August 21, 2018	1,929,057	—	586,452	106,953	86,967	1,148,685	HK\$23.500
November 20, 2018	1,336,522	—	427,052	46,438	8,747	854,285	HK\$21.850
March 19, 2019	110,330	—	27,580	—	—	82,750	HK\$27.783
June 5, 2019	9,528,265	—	2,306,023	393,961	244,046	6,584,235	HK\$23.900
August 20, 2019	3,148,144	—	750,216	171,843	64,572	2,161,513	HK\$27.667
November 20, 2019	969,806	—	230,596	50,938	—	688,272	HK\$29.800
March 27, 2020	4,476,978	—	904,602	377,817	203,631	2,990,928	HK\$33.333
June 9, 2020	1,775,685	—	342,290	84,959	12,918	1,335,518	HK\$41.900
August 18, 2020	1,580,916	—	288,319	129,446	53,241	1,109,910	HK\$58.600
November 12, 2020	5,972,145	—	1,111,962	290,996	152,979	4,416,208	HK\$77.133
March 24, 2021	4,482,376	—	—	321,027	151,797	4,009,552	HK\$87.950
June 16, 2021	1,493,141	—	12,335	—	156,202	1,324,604	HK\$116.900
June 17, 2021	12,534,876	—	—	902,631	554,050	11,078,195	HK\$120.800
August 24, 2021	4,583,421	—	—	454,370	214,130	3,914,921	HK\$121.700
November 23, 2021	3,846,769	—	16,638	330,216	128,196	3,371,719	HK\$101.300
March 23, 2022	—	18,954,570	—	1,458,875	85,810	17,409,885	HK\$65.300
June 10, 2022	—	8,821,616	—	233,815	57,072	8,530,729	HK\$69.000
August 18, 2022	—	1,744,144	—	23,380	—	1,720,764	HK\$71.700
November 28, 2022	—	7,330,996	—	78,163	—	7,252,833	HK\$47.350
	<u>64,240,877</u>	<u>36,851,326</u>	<u>9,150,547</u>	<u>5,723,263</u>	<u>2,294,130</u>	<u>83,924,263</u>	
Weighted average fair value per share (HK\$)	<u>68.09</u>	<u>62.92</u>	<u>33.34</u>	<u>72.43</u>	<u>79.33</u>	<u>69.01</u>	

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

## 43. SHARE-BASED COMPENSATION (Continued)

### (b) Restricted Share Award Scheme (Continued)

Batch	Outstanding as at January 1, 2021	Granted	Vested	Forfeited	Outstanding as at December 31, 2021	Fair value per share at the date of grant (note ii)
January 15, 2018	5,066,760	—	1,266,690	671,292	3,128,778	HK\$18.333
March 20, 2018	3,554,628	—	883,515	214,086	2,457,027	HK\$25.233
June 13, 2018	1,254,174	—	308,613	58,920	886,641	HK\$29.500
August 21, 2018	2,727,846	—	664,425	134,364	1,929,057	HK\$23.500
November 20, 2018	1,941,925	—	469,361	136,042	1,336,522	HK\$21.850
March 19, 2019	137,910	—	27,580	—	110,330	HK\$27.783
June 5, 2019	12,546,804	—	2,474,188	544,351	9,528,265	HK\$23.900
August 20, 2019	4,212,252	—	808,304	255,804	3,148,144	HK\$27.667
November 20, 2019	1,293,948	—	246,799	77,343	969,806	HK\$29.800
March 27, 2020	4,892,280	—	—	415,302	4,476,978	HK\$33.333
June 9, 2020	1,864,962	—	34,200	55,077	1,775,685	HK\$41.900
August 18, 2020	1,799,517	—	—	218,601	1,580,916	HK\$58.600
November 12, 2020	6,359,703	—	—	387,558	5,972,145	HK\$77.133
March 24, 2021	—	4,736,220	22,408	231,436	4,482,376	HK\$87.950
June 16, 2021	—	1,493,141	—	—	1,493,141	HK\$116.900
June 17, 2021	—	13,128,486	—	593,610	12,534,876	HK\$120.800
August 24, 2021	—	4,869,545	—	286,124	4,583,421	HK\$121.700
November 23, 2021	—	3,944,640	—	97,871	3,846,769	HK\$101.300
	<u>47,652,709</u>	<u>28,172,032</u>	<u>7,206,083</u>	<u>4,377,781</u>	<u>64,240,877</u>	
Weighted average fair value per share (HK\$)	<u>34.04</u>	<u>112.50</u>	<u>24.08</u>	<u>55.65</u>	<u>68.09</u>	

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

## 43. SHARE-BASED COMPENSATION (Continued)

### (b) Restricted Share Award Scheme (Continued)

*Notes:*

- i. During the current period, certain employees of the Group were offered, and agreed to join the Subsidiary Share Option Scheme, i.e. the WuXi XDC Share Option Scheme (as defined in Note 43(d)) or the WuXi Vaccines Share Option Scheme (as defined in Note 43(d)). Upon participating in the Subsidiary Share Option Scheme, share options under the Subsidiary Share Option Scheme were granted to the employees while the outstanding restricted shares granted under the Restricted Share Award Scheme held by the respective employees were cancelled in the same time accordingly. The directors of the Company considered that most of the cancelled restricted shares under the Restricted Share Award Scheme were replaced by the share options granted under the Subsidiary Share Option Scheme, which was accounted for as a modification of the original equity instruments with no incremental fair value granted, therefore, such outstanding restricted shares would continue to be measured at the original grant-date fair value and the corresponding share-based compensation expense would be recognized in profit or loss over the original vesting periods. The remaining cancelled restricted shares were deemed to be accounted for as an acceleration of vesting, and the Group recognized immediately the amount that otherwise would have been recognized for services received over the remainder of the vesting period.
- ii. The fair value per share at the date of grant represents the prices after the effect of the Share Subdivision effected on November 16, 2020.

The Group recognized total expense of approximately RMB1,089,761,000 for the year ended December 31, 2022 (2021: RMB552,508,000) in relation to restricted shares granted by the Company under the Restricted Share Award Scheme.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

## 43. SHARE-BASED COMPENSATION (Continued)

### (c) Global Partner Program Share Scheme

On June 16, 2021, the Company adopted a global partner program share scheme to further reward and incentivize the Group's top employees and attract key talents (the "Selected Participants under Global Partner Program Share Scheme") to ensure the continuous business development and growth of the Company and to further align the interests of the top employees and the shareholders of the Company. The Selected Participants under Global Partner Program Share Scheme who have significant contributions to the Group's business development and growth will be granted restricted shares under the Global Partner Program Share Scheme. The number of restricted shares to be granted will be determined based on various performance-related considerations, such as the fulfilment by the respective Selected Participants under Global Partner Program Share Scheme of their individual performance targets as well as the overall business performance of the Group as a whole. The total number of the restricted shares underlying all grants made pursuant to the Global Partner Program Share Scheme shall not exceed three percent of the total number of shares of the Company in issue as at the adoption date (i.e. 126,982,689 shares).

The Company will issue and allot to trustee new shares under the general mandate granted by the shareholders of the Company from time to time. The new shares so issued will be held on trust until the end of each vesting period and will be transferred to the Selected Participants under Global Partner Program Share Scheme upon satisfaction of the relevant original vesting conditions.

The fair value of the restricted shares awarded was determined based on the market value of the Company's share at the grant date.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

## 43. SHARE-BASED COMPENSATION (Continued)

### (c) Global Partner Program Share Scheme (Continued)

The restricted share granted under the Global Partner Program Scheme can only be vested in the following manners (each date on which any portion of restricted share granted shall be vested is hereinafter referred to as a "Vesting Date of Global Partner Program Share Scheme" and each batch on which any portion of restricted share granted shall be vested is hereinafter referred to as a "Batch under Global Partner Program Share Scheme"):

Batch under Global Partner Program Share Scheme	Vesting Date of Global Partner Program Share Scheme
fifty percent (50%) of the restricted shares so granted	first (1st) anniversary of the grant date for an restricted share
fifty percent (50%) of the restricted shares so granted	second (2nd) anniversary of the grant date for an restricted share

Besides, the restricted shares can only be vested when the share price is no less than HK\$97.80.

Set out below are details of the movements of the outstanding restricted shares granted under the Global Partner Program Share Scheme during the year ended December 31, 2022:

Batch	Outstanding as at January 1, 2022	Granted	Vested	Forfeited	Outstanding as at December 31, 2022	Fair value per share at the date of grant
November 23, 2021	2,723,830	—	—	141,072	2,582,758	HK\$101.30
June 10, 2022	—	1,223,147	—	—	1,223,147	HK\$69.00
November 28, 2022	—	6,769,146	—	—	6,769,146	HK\$47.35
	<u>2,723,830</u>	<u>7,992,293</u>	<u>—</u>	<u>141,072</u>	<u>10,575,051</u>	
Weighted average fair value per share (HK\$)	<u>101.30</u>	<u>50.66</u>	<u>—</u>	<u>101.30</u>	<u>63.03</u>	

The Group recognized total expense of approximately RMB158,348,000 for the year ended December 31, 2022 (2021: RMB18,103,000) in relation to restricted shares granted by the Company under the Global Partner Program Share Scheme.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

## 43. SHARE-BASED COMPENSATION (Continued)

### (d) Subsidiary Share Option Scheme

#### *WuXi XDC Share Option Scheme (as defined below)*

On November 23, 2021 WuXi XDC Cayman Inc. ("WuXi XDC"), a subsidiary of the Company, adopted the share option scheme (the "WuXi XDC Share Option Scheme") for the primary purpose to enable WuXi XDC to grant share options to eligible participants as incentives or rewards for their contribution to WuXi XDC and its subsidiaries (collectively referred to as the "WuXi XDC Group") so as to enable the WuXi XDC Group to recruit and retain high-calibre employees and attract human resources that are valuable to the WuXi XDC Group. Eligible participants for the WuXi XDC Share Option Scheme include any full-time or part-time employees, executives, officers or directors of the WuXi XDC Group. The maximum number of WuXi XDC shares which may be issued upon exercise of all share options to be granted under the WuXi XDC Share Option Scheme and other share option schemes of WuXi XDC shall not in aggregate exceed 10% of the total number of WuXi XDC shares in issue as at the adoption date (i.e. 100,000,000 shares) (the "WuXi XDC Scheme Mandate Limit"). Share options lapsed in accordance with the terms of the WuXi XDC Share Option Scheme will not be counted for the purpose of calculating the WuXi XDC Scheme Mandate Limit.

The option granted under the WuXi XDC Share Option Scheme can only be vested in the following manners (each date on which any portion of options granted shall be vested is hereinafter referred to as a "Vesting Date of WuXi XDC Share Option Scheme" and each batch on which any portion of options granted shall be vested is hereinafter referred to as a "Batch under WuXi XDC Share Option Scheme"):

Batch under WuXi XDC Share Option Scheme	Vesting Date of WuXi XDC Share Option Scheme
twenty percent (20%) of the WuXi XDC share options so granted	second (2nd) anniversary of the grant date for a WuXi XDC share option
twenty percent (20%) of the WuXi XDC share options so granted	third (3rd) anniversary of the grant date for a WuXi XDC share option
twenty percent (20%) of the WuXi XDC share options so granted	fourth (4th) anniversary of the grant date for a WuXi XDC share option
forty percent (40%) of the WuXi XDC share options so granted	fifth (5th) anniversary of the grant date for a WuXi XDC share option



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

## 43. SHARE-BASED COMPENSATION (Continued)

### (d) Subsidiary Share Option Scheme (Continued)

#### *WuXi XDC Share Option Scheme (as defined below) (Continued)*

Set out below are details of the movements of the outstanding share options granted under the WuXi XDC Share Option Scheme during the year ended December 31, 2022:

Batch	Outstanding as at January 1, 2022	Granted	Exercised	Forfeited	Outstanding as at December 31, 2022
April 1, 2022	—	20,907,270	—	2,537,721	18,369,549
June 10, 2022	—	32,160,000	—	—	32,160,000
August 18, 2022	—	9,052,830	—	450,574	8,602,256
	—	62,120,100	—	2,988,295	59,131,805
Exercisable at the end of the year	—				—
Weighted average exercise price (RMB)	—	1.6860	—	1.6869	1.6859

The estimated fair value of the WuXi XDC share options at the date of grant were approximately RMB20,602,000, RMB34,331,000 and RMB8,984,000 for the April 1, 2022, June 10, 2022 and August 18, 2022 option batch, respectively. The fair value was calculated using the Binomial model. The major inputs into the model are as follows:

Grant date	April 1, 2022	June 10, 2022	August 18, 2022
Equity value per share (RMB)	1.658	1.658	1.845
Exercise price (RMB)	1.658	1.658	1.850
Expected volatility	47.6%	47.9%	47.9%
Expected life (years)	10	10	10
Risk-free interest rate	2.81%	2.81%	2.78%
Forfeiture rate	3.70%	—	3.70%

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

## 43. SHARE-BASED COMPENSATION (Continued)

### (d) Subsidiary Share Option Scheme (Continued)

#### *WuXi XDC Share Option Scheme (as defined below) (Continued)*

The risk-free interest rate was based on market yield rate of China government bonds with the term corresponding to the contractual life of the options. Expected volatility was determined by using the historical volatility of the comparable companies. Changes in variables and assumptions may result in changes in the fair values of the share options.

The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

The Group recognized total expense of approximately RMB27,487,000 for the years ended December 31, 2022 in relation to options granted by WuXi XDC under the WuXi XDC Share Option Scheme.

#### *WuXi Vaccines Share Option Scheme (as defined below)*

On November 23, 2021 WuXi Vaccines (Cayman) Inc. ("WuXi Vaccines"), a subsidiary of the Company, adopted the share option scheme (the "WuXi Vaccines Share Option Scheme") for the primary purpose to enable WuXi Vaccines to grant share options to eligible participants as incentives or rewards for their contribution to Wuxi Vaccines and its subsidiaries (collectively referred to as the "WuXi Vaccines Group") so as to enable the WuXi Vaccines Group to recruit and retain high-calibre employees and attract human resources that are valuable to the WuXi Vaccines Group. Eligible participants for the WuXi Vaccines Share Option Scheme include any full-time or part-time employees, executives, officers or directors of the WuXi Vaccines Group. The maximum number of WuXi Vaccines shares which may be issued upon exercise of all share options to be granted under the WuXi Vaccines Share Option Scheme and other share option schemes of WuXi Vaccines shall not in aggregate exceed 10% of the total number of WuXi Vaccines shares in issue as at the adoption date (i.e. 100,000,000 shares) (the "WuXi Vaccines Scheme Mandate Limit"). Share options lapsed in accordance with the terms of the WuXi Vaccines Share Option Scheme will not be counted for the purpose of calculating the WuXi Vaccines Scheme Mandate Limit.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

## 43. SHARE-BASED COMPENSATION (Continued)

### (d) Subsidiary Share Option Scheme (Continued)

#### *WuXi Vaccines Share Option Scheme (as defined below) (Continued)*

The option granted under the WuXi Vaccines Share Option Scheme can only be vested in the following manners (each date on which any portion of options granted shall be vested is hereinafter referred to as a "Vesting Date of WuXi Vaccines Share Option Scheme" and each batch on which any portion of options granted shall be vested is hereinafter referred to as a "Batch under WuXi Vaccines Share Option Scheme"):

Batch under WuXi Vaccines Share Option Scheme	Vesting Date of WuXi Vaccines Share Option Scheme
twenty percent (20%) of the WuXi Vaccines share options so granted	second (2nd) anniversary of the grant date for a WuXi Vaccines share option
twenty percent (20%) of the WuXi Vaccines share options so granted	third (3rd) anniversary of the grant date for a WuXi Vaccines share option
twenty percent (20%) of the WuXi Vaccines share options so granted	fourth (4th) anniversary of the grant date for a WuXi Vaccines share option
forty percent (40%) of the WuXi Vaccines share options so granted	fifth (5th) anniversary of the grant date for a WuXi Vaccines share option

Set out below are details of the movements of the outstanding share options granted under the WuXi Vaccines Share Option Scheme during the year ended December 31, 2022:

Batch	Outstanding as at January 1, 2022	Granted	Exercised	Forfeited	Outstanding as at December 31, 2022
May 16, 2022	—	14,676,453	—	51,913	14,624,540
June 10, 2022	—	31,980,000	—	—	31,980,000
	—	46,656,453	—	51,913	46,604,540
Exercisable at the end of the year	—				—
Weighted average exercise price (US\$)	—	0.511	—	0.511	0.511

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

## 43. SHARE-BASED COMPENSATION (Continued)

### (d) Subsidiary Share Option Scheme (Continued)

#### *WuXi Vaccines Share Option Scheme (as defined below) (Continued)*

The estimated fair value of the WuXi Vaccines share options at the date of grant were approximately US\$4,851,000 and US\$11,004,000 for the May 16, 2022 and June 10, 2022 option batch, respectively. The fair value was calculated using the Binomial model. The major inputs into the model are as follows:

Grant date	May 16, 2022	June 10, 2022
Equity value per share (US\$)	0.511	0.511
Exercise price (US\$)	0.511	0.511
Expected volatility	65%	65%
Expected life (years)	10	10
Risk-free interest rate	2.88%	2.88%
Forfeiture rate	0% and 3.70%	0%

The risk-free interest rate was based on market yield rate of China government bonds with the term corresponding to the contractual life of the options. Expected volatility was determined by using the historical volatility of the comparable companies. Changes in variables and assumptions may result in changes in the fair values of the share options.

The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

The Group recognized total expense of approximately RMB19,779,000 for the years ended December 31, 2022 in relation to options granted by WuXi Vaccines under the WuXi Vaccines Share Option Scheme.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

## 44. DETAILS OF SUBSIDIARIES

The direct and indirect interests in the following subsidiaries held by the Company during the years ended December 31, 2022 and 2021 are as follows:

Name of subsidiaries	Place of Incorporation/ operation, date of incorporation	Authorized share capital/ Registered capital	Paid up capital	Attributable equity interests held by the Company as at December 31		Principal activities
				2022 %	2021 %	
Directly held:						
WuXi Biologics Investments Limited ("Biologics Investments")	Hong Kong November 18, 2010	Not applicable	RMB2,065,376,000	100	100	Investment holding
無錫明德生物醫藥有限公司 (WuXi Medi Biologics, Inc.) # <i>(note iv)</i>	The PRC September 26, 2016	RMB3,000,000,000	N/A	N/A	100	Investment holding
WuXi Biologics HealthCare Venture (Cayman) Inc.	Cayman Islands April 10, 2018	US\$50,000	—	100	100	Investment holding
WuXi Biologics HealthCare Venture Hong Kong Holding Limited	Hong Kong April 25, 2018	Not applicable	—	100	100	Investment holding
WuXi Biologics Alliance Limited	Hong Kong June 27, 2019	Not applicable	—	100	100	Investment holding
WuXi Vaccines	Cayman Islands September 18, 2020	US\$50,000	US\$50,000	70	70	Investment holding
WuXi XDC <i>(note v)</i>	Cayman Islands December 14, 2020	US\$50,000	US\$50,000	60	100	Investment holding
Indirectly held:						
無錫藥明康德企業管理有限公司 (WuXi Biologics Holdings Co., Ltd.) # <i>(note ii)</i>	The PRC August 14, 2014	RMB4,911,180,000	RMB4,911,180,000	100	100	Investment holding
無錫藥明生物技術股份有限公司 (WuXi Co.)* <i>(note i)</i>	The PRC May 25, 2010	RMB8,915,770,000	RMB8,915,770,000	100	100	Development of, and the provision of consultation services in relation to, the biopharmaceutical technology

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

## 44. DETAILS OF SUBSIDIARIES (Continued)

Name of subsidiaries	Place of Incorporation/ operation, date of incorporation	Authorized share capital/ Registered capital	Paid up capital	Attributable equity interests held by the Company as at December 31		Principal activities
				2022 %	2021 %	
Indirectly held: (Continued)						
WuXi Biologics (Hong Kong) Limited	Hong Kong May 12, 2014	Not applicable	HK\$1	100	100	International sales contracting service
蘇州藥明檢測檢驗有限責任公司 ("WuXi Biologics Biosafety Testing (Suzhou) Co., Ltd.")# (note iii)	The PRC May 30, 2012	RMB42,860,000	RMB42,860,000	100	100	Testing and development of testing technologies
上海藥明生物技術有限公司 (Shanghai Biologics)* (note iii)	The PRC January 6, 2015	RMB1,330,000,000	RMB1,330,000,000	100	100	Research and development in relation to biologics
WuXi Biologics Ireland Limited ("Biologics Ireland")	Ireland March 8, 2018	EUR781,496,881	EUR781,496,881	100	100	Biologics discovery, development and manufacturing service
WuXi Biologics USA, LLC. ("USA Biologics")	The United States April 21, 2016	US\$284,200,100	US\$284,200,100	100	100	Sales and marketing services in US, of America biologics clinical and manufacturing service
WuXi Biologics UK Ltd. ("UK Biologics")	The United Kingdom December 2, 2016	Pound Sterling 1,000	Pound Sterling 1,000	100	100	Sales and marketing services in Europe
上海藥明生物醫藥有限公司 (WuXi Biologics (Shanghai FX) Co., Ltd.)# (note i)	The PRC April 7, 2017	US\$63,000,000	US\$61,973,957	100	100	Production and sales of medicals, and provision of services in relation to the biopharmaceutical technology



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

## 44. DETAILS OF SUBSIDIARIES (Continued)

Name of subsidiaries	Place of Incorporation/ operation, date of incorporation	Authorized share capital/ Registered capital	Paid up capital	Attributable equity interests held by the Company as at December 31		Principal activities
				2022 %	2021 %	
Indirectly held: (Continued)						
成都藥明生物技術有限公司 (WuXi Biologics (Chengdu) Co., Ltd.) <sup>#</sup> (note i)	The PRC December 4, 2017	US\$120,000,000	US\$66,318,000	100	100	Research and development in relation to biologics
上海藥明海德生物技術有限公司 (Shanghai Vaccines Co., Ltd.) <sup>#</sup> (note i)	The PRC August 1, 2018	RMB500,000,000	RMB8,200,000	70	70	Biologics manufacturing service
無錫藥明合聯生物技術有限公司 (WuXi XDC Co., Ltd.) <sup>#</sup> (notes ii and v)	The PRC March 13, 2018	US\$200,000,000	US\$141,000,000	60	100	Biologics discovery, development and manufacturing service
河北藥明生物技術有限公司 (WuXi Biologics (Hebei) Co., Ltd.) <sup>#</sup> (note i)	The PRC June 19, 2018	US\$62,000,000	US\$51,523,001	100	100	Biologics discovery, development and manufacturing service
WuXi Biologics HealthCare Venture	Hong Kong May 29, 2018	Not applicable	—	100	100	Investment holding
杭州明德生物醫藥技術有限公司 (WuXi Biologics (Hangzhou) Co., Ltd.) <sup>#</sup> (note i)	The PRC September 16, 2019	US\$110,000,000	US\$110,000,000	100	100	Biologics discovery, development and manufacturing service
WuXi Biologics Singapore Private Limited	Singapore February 1, 2019	US\$1	US\$1	100	100	Biologics manufacturing service
WuXi Vaccines (Hong Kong) Limited	Hong Kong May 24, 2019	Not applicable	US\$107,000,000	70	70	International sales contracting service



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

## 44. DETAILS OF SUBSIDIARIES (Continued)

Name of subsidiaries	Place of Incorporation/ operation, date of incorporation	Authorized share capital/ Registered capital	Paid up capital	Attributable equity interests held by the Company as at December 31		Principal activities
				2022 %	2021 %	
Indirectly held: (Continued)						
WuXi Vaccines Ireland Limited	Ireland June 20, 2019	EUR1,000	EUR1,000	70	70	Vaccine CDMO and related business
博格隆(浙江)生物技術有限公司 (Bestchrom (Zhejiang) Biosciences Co., Ltd.) <sup>#</sup> <i>(note i)</i>	The PRC June 18, 2013	RMB240,000,000	RMB102,000,000	50.1	50.1	Biologics manufacturing service and material supplier
博格隆(上海)生物技術有限公司 (Bestchrom (Shanghai) Biosciences Co., Ltd.) <sup>#</sup> <i>(note i)</i>	The PRC July 1, 2008	US\$150,000	US\$150,000	50.1	50.1	Biologics manufacturing service and material supplier
WuXi Biologics Germany GmbH	The Federal Republic of Germany December 20, 2019	EUR25,000	EUR240,064,271	100	100	Biologics manufacturing service
杭州明德生物新技術開發有限公司 (WuXi Biologics (Hangzhou FTZ) Co., Ltd.) <sup>#</sup> <i>(note i)</i>	The PRC April 30, 2020	US\$20,000,000	US\$20,000,000	100	100	Biologics discovery, development and manufacturing service
無錫博格隆生物技術有限公司 (WuXi Bestchrom Biosciences Co., Ltd.) <sup>#</sup> <i>(note i)</i>	The PRC September 15, 2020	RMB20,000,000	—	50.1	50.1	Biologics discovery, development and manufacturing service
北京藥明生物技術有限公司 (Beijing Biologics) <sup>#</sup> <i>(note iii)</i>	The PRC September 18, 2020	RMB30,000,000	RMB5,000,000	100	100	Biologics discovery, development and manufacturing service
無錫元康投資管理有限公司 (WuXi Yuankang Investments Co., Ltd.) <sup>#</sup> <i>(note iii)</i>	The PRC November 10, 2020	RMB2,500,000,000	RMB235,020,000	100	100	Investment activity

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

## 44. DETAILS OF SUBSIDIARIES (Continued)

Name of subsidiaries	Place of Incorporation/ operation, date of incorporation	Authorized share capital/ Registered capital	Paid up capital	Attributable equity interests held by the Company as at December 31		Principal activities
				2022 %	2021 %	
Indirectly held: (Continued)						
無錫藥明海德生物技術有限公司 (WuXi Vaccines Co., Ltd) <sup>#</sup> (note i)	The PRC March 8, 2021	RMB50,000,000	—	70	70	Biologics manufacturing service
WuXi XDC Hong Kong Limited (note v)	Hong Kong June 7, 2021	Not applicable	—	60	100	International sales contracting service
CMAB Biopharma Limited	British Virgin Islands June 15, 2017	US\$50,000	US\$60,869,975	100	100	Investment holding
CMAB Biopharma (HK) Limited	Hong Kong December 1, 2016	Not applicable	HKD10,000	100	100	Investment holding
CMAB Biopharma (US) Inc.	The United States June 9, 2020	US\$1	US\$1	100	100	Development, production and distribution of biotechnological products
CMAB Biopharma (Switzerland) Inc.	Switzerland March 26, 2018	CHF100,000	CHF100,000	100	100	Development, production and distribution of biotechnological products
蘇州藥明生物技術有限公司WuXi Biologics (Suzhou) Co., Ltd. <sup>#</sup> (note i)	The PRC June 23, 2017	US\$69,364,416	US\$69,364,416	100	100	Biologics discovery, development and manufacturing service
浙江藥明生物醫藥有限公司 WuXi Biologics (Zhejiang) Co., Ltd. <sup>#</sup> (note ii)	The PRC November 2, 2015	US\$325,000,000	US\$325,000,000	100	100	Biologics discovery, development and manufacturing service
上海藥明合聯生物技術有限公司 WuXi XDC (Shanghai) Co., Ltd. <sup>#</sup> (notes iii and v)	The PRC March 31, 2021	RMB30,000,000	RMB30,000,000	60	100	Biologics discovery, development and manufacturing service

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

## 44. DETAILS OF SUBSIDIARIES (Continued)

Name of subsidiaries	Place of Incorporation/ operation, date of incorporation	Authorized share capital/ Registered capital	Paid up capital	Attributable equity interests held by the Company as at December 31		Principal activities
				2022 %	2021 %	
Indirectly held: (Continued)						
常州藥明合聯生物技術有限公司 WuXi XDC (Changzhou) Co., Ltd.* (notes iii and v)	The PRC July 2, 2021	RMB300,000,000	RMB300,000,000	60	100	Biologics discovery, development and manufacturing service
無錫藥明新創生物技術有限公司 WuXi Biologics New Tech Co., Ltd.* (note ii)	The PRC April 29, 2021	US\$100,000,000	US\$1,000,000	100	100	Biologics discovery, development and manufacturing service
無錫雅康實業投資有限公司 WuXi Yakang Investments Co., Ltd.* (note iii)	The PRC June 30, 2021	RMB300,000,000	—	100	100	Investment activity
無錫啟盛投資合夥企業(有限合夥) WuXi Qisheng Investments Partnership (Limited Partnership)* (note i)	The PRC June 30, 2021	RMB1,000,000,000	RMB430,000,000	100	100	Investment activity
上海藥明檢測有限公司WuXi Biologics Biosafety Testing (Shanghai) Co., Ltd.* (note i)	The PRC July 22, 2021	RMB100,000,000	RMB84,081,175	100	100	Testing and development of testing technologies
無錫康澤投資管理有限公司 WuXi Kangze Investments Management Co., Ltd.* (note ii)	The PRC July 21, 2021	RMB400,000,000	—	100	100	Investment activity
無錫康悅投資合夥企業(有限合夥) WuXi Kangyue Investments Partnership (Limited Partnership)* (note i)	The PRC August 6, 2021	RMB500,500,000	RMB126,500,000	100	100	Investment activity
無錫啟源投資合夥企業(有限合夥) WuXi Qiyuan Investments Partnership (Limited Partnership)* (note i)	The PRC October 12, 2021	RMB1,000,000,000	—	100	100	Investment activity

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

## 44. DETAILS OF SUBSIDIARIES (Continued)

Name of subsidiaries	Place of Incorporation/ operation, date of incorporation	Authorized share capital/ Registered capital	Paid up capital	Attributable equity interests held by the Company as at December 31		Principal activities
				2022 %	2021 %	
Indirectly held: (Continued)						
WuXi Biologics Biopharmaceuticals Singapore Private Limited	Singapore December 30, 2021	US\$8,000,000	—	100	100	Biologics manufacturing service
蘇州藥明海德生物科技有限公司 (Suzhou Vaccines Co., Ltd.) (note ii)	The PRC October 20, 2022	RMB200,000,000	RMB58,000,000	70	NA	Biologics manufacturing service
WuXi XDC Singapore Private Limited	Singapore November 16, 2022	US\$5,000,000	—	60	NA	Biologics manufacturing service
WuXi Vaccines Singapore Private Limited	Singapore November 16, 2022	US\$1,000,000	—	70	NA	Biologics manufacturing service

# English name is for identification purpose only.

### Notes:

- This Company is a sino-foreign joint venture.
- This Company is a wholly-foreign owned enterprise.
- This Company is a wholly-domestic owned enterprise.
- This Company was deregister during the years ended December 31, 2022.
- During the year ended December 31, 2022, the attributable equity interests held by the Company were diluted due to capital injection by non-controlling shareholders.

None of the subsidiaries had issued any debt securities at the end of the year.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

## 45. FINANCIAL POSITION OF THE COMPANY

	2022 RMB'000	2021 RMB'000
<b>Non-current Asset</b>		
Investments in subsidiaries	6,026,218	4,890,970
	<u>6,026,218</u>	<u>4,890,970</u>
<b>Current Assets</b>		
Other receivables and prepayments	247,006	223,150
Amounts due from subsidiaries	22,340,781	17,130,198
Derivative financial assets	104,136	360,603
Financial assets at FVTPL	1,047,423	64
Time deposits	—	1,147,626
Pledged bank deposits	—	127,050
Bank balances and cash	1,181,105	3,617,126
	<u>24,920,451</u>	<u>22,605,817</u>
<b>Current Liabilities</b>		
Trade and other payables	3,213	791,260
Amounts due to subsidiaries	5,562,554	884,521
Derivative financial liabilities	303,181	39,719
Income tax payables	66,937	53,299
	<u>5,935,885</u>	<u>1,768,799</u>
<b>Net Current Assets</b>	<u>18,984,566</u>	<u>20,837,018</u>
<b>Total Assets less Current Liabilities</b>	<u>25,010,784</u>	<u>25,727,988</u>
<b>Non-current Liability</b>	<u>—</u>	<u>—</u>
<b>Net Assets</b>	<u>25,010,784</u>	<u>25,727,988</u>
<b>Capital and Reserves</b>		
Share capital	233	235
Reserves	25,010,551	25,727,753
<b>Total Equity attributable to the Owners of the Company</b>	<u>25,010,784</u>	<u>25,727,988</u>

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

## 46. RESERVES MOVEMENT OF THE COMPANY

The movement of the reserves of the Company are as follows:

	Treasury stock RMB'000	Share premium RMB'000	Equity-settled share-based compensation reserve RMB'000	Hedging reserve RMB'000	Accumulated profit (loss) RMB'000	Total reserves RMB'000
At January 1, 2021	—	15,827,233	710,243	12,114	(145,345)	16,404,245
Total comprehensive income for the year	—	—	—	2,568	304,184	306,752
Issue of new shares, net of transaction costs	—	10,899,022	—	—	—	10,899,022
Exercise of equity- settled share-based compensation	—	57,568	—	—	—	57,568
Recognition of equity- settled share-based compensation	—	—	577,281	—	—	577,281
Repurchase of shares	(2,517,115)	—	—	—	—	(2,517,115)
At December 31, 2021	(2,517,115)	26,783,823	1,287,524	14,682	158,839	25,727,753
Total comprehensive income (expense) for the year	—	—	—	(85,725)	887,300	801,575
Cancellation of treasury stock	5,321,569	(5,321,564)	—	—	—	5
Exercise of equity- settled share-based compensation	—	379,095	(342,916)	—	—	36,179
Recognition of equity- settled share-based compensation	—	—	1,249,493	—	—	1,249,493
Repurchase of shares	(2,804,454)	—	—	—	—	(2,804,454)
At December 31, 2022	—	21,841,354	2,194,101	(71,043)	1,046,139	25,010,551



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

## 47. INVESTMENTS IN SUBSIDIARIES

	2022 RMB'000	2021 RMB'000
Unlisted shares, at cost		
Biologics Investments ( <i>note i</i> )	2,065,376	2,065,376
WuXi Medi Biologics, Inc.	—	1,049,789
WuXi Vaccines	651,655	491,029
WuXi XDC	777,052	—
Deemed capital contributions to ( <i>note ii</i> ):		
WuXi Co.	1,256,808	664,927
Shanghai Biologics	693,989	374,994
USA Biologics	129,819	62,203
WuXi Biologics Biosafety Testing (Suzhou) Co., Ltd.	55,016	27,285
UK Biologics	11,055	5,361
Biologics Ireland	40,157	19,914
WuXi XDC Co., Ltd.	21,506	11,758
WuXi Biologics (Hebei) Co., Ltd.	10,939	3,954
WuXi Biologics (Shanghai FX) Co., Ltd.	196,624	81,220
WuXi Biologics (Chengdu) Co., Ltd.	3,171	824
WuXi Vaccines Ireland Limited	6,916	3,757
WuXi Biologics Germany GmbH	29,592	6,784
Beijing Biologics	4,903	2,453
Shanghai Vaccines Co., Ltd.	2,290	847
WuXi Biologics (Hangzhou) Co., Ltd.	41,700	11,364
WuXi Biologics (Hangzhou FTZ) Co., Ltd.	5,615	3,199
WuXi XDC (Changzhou) Co., Ltd.	968	876
WuXi Biologics (Zhejiang) Co., Ltd.	6,607	328
WuXi XDC (Shanghai) Co., Ltd.	2,045	727
WuXi Biologics (Suzhou) Co., Ltd.	11,537	1,940
WuXi Biologics Singapore Private Limited	473	61
WuXi Biologics Biopharmaceuticals Singapore Private Limited	174	—
WuXi Biologics Biosafety Testing (Shanghai) Co., Ltd.	231	—
	<b>6,026,218</b>	<b>4,890,970</b>

### Notes:

- The amount represents the cost of investment amounting to HK\$2,357,188,000 (equivalent to approximately RMB2,065,376,000) in Biologics Investments, a wholly owned subsidiary of the Company incorporated in Hong Kong.
- The amounts represent the equity-settled share-based compensation in respect of the respective share options and restricted shares granted by the Company to certain employees of the specified subsidiaries for employees' services rendered to the respective subsidiaries under the Company's Pre-IPO Share Option Scheme and Restricted Share Award Scheme as disclosed in Note 43. Since the subsidiaries have no obligation to reimburse such expense, the amounts are treated as deemed capital contribution by the Company to the subsidiaries and included in the Company's cost of investments in subsidiaries.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

## 48. SUBSEQUENT EVENTS

Save as disclosed elsewhere in the consolidated financial statements, the Group has the following events taken place subsequent to December 31, 2022:

- (1) On January 6, 2023, WuXi XDC granted 18,517,841 share options to 86 employees under the subsidiaries share option schemes with a vesting period of 5 years.
- (2) On January 16, 2023, the board of directors of the Company was informed by Biologics Holdings that it has entered into a block trade agreement with a placing agent pursuant to which the placing agent has agreed to place 56,000,000 existing shares of the Company (representing approximately 1.32% of the total issued share capital of the Company as at January 16, 2023) held by Biologics Holdings to parties independent of and not connected with the Company at a price of HK\$71.00 each.

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