



無錫藥明康德新藥開發股份有限公司
WuXi AppTec Co., Ltd.*

(A joint stock company incorporated in the People's Republic of China
with limited liability)

Stock Code : 2359

2021

INTERIM REPORT

**For identification purpose only*

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Dr. Ge Li (李革)
(Chairman and Chief Executive Officer)
Mr. Edward Hu (胡正國)
(Vice Chairman and Global Chief Investment Officer)
Dr. Steve Qing Yang (楊青)
(Co-chief Executive Officer)
Mr. Zhaohui Zhang (張朝暉)
Dr. Ning Zhao (趙寧)

Non-executive Directors

Mr. Xiaomeng Tong (童小幪)
Dr. Yibing Wu (吳亦兵)

Independent Non-executive Directors

Dr. Jiangnan Cai (蔡江南)
Ms. Yan Liu (劉艷)
Mr. Dai Feng (馮岱)
Dr. Hetong Lou (婁賀統)
Mr. Xiaotong Zhang (張曉彤)

JOINT COMPANY SECRETARIES

Mr. Chi Yao (姚馳)
Ms. Siu Wing Kit (蕭穎潔)

AUTHORISED REPRESENTATIVES

Mr. Edward Hu (胡正國)
Mr. Chi Yao (姚馳)

STRATEGY COMMITTEE

Dr. Ge Li (李革) (Chairperson)
Mr. Edward Hu (胡正國)
Mr. Xiaomeng Tong (童小幪)
Dr. Yibing Wu (吳亦兵)
Dr. Jiangnan Cai (蔡江南)

AUDIT COMMITTEE

Dr. Hetong Lou (婁賀統) (Chairperson)
Mr. Xiaotong Zhang (張曉彤)
Ms. Yan Liu (劉艷)
(ceased to be a member on March 30, 2021)
Dr. Jiangnan Cai (蔡江南)
(appointed as a member on March 30, 2021)

REMUNERATION AND APPRAISAL COMMITTEE

Ms. Yan Liu (劉艷) (Chairperson)
Dr. Hetong Lou (婁賀統)
Dr. Ning Zhao (趙寧)
(ceased to be a member on March 30, 2021)
Mr. Dai Feng (馮岱)
(appointed as a member on March 30, 2021)

NOMINATION COMMITTEE

Dr. Jiangnan Cai (蔡江南) (Chairperson)
Ms. Yan Liu (劉艷)
Dr. Ge Li (李革)

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STOCK CODE

A Share: 603259
H Share: 02359

COMPANY'S WEBSITE

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Financial Highlights

	Six months ended June 30,		Change
	2021 RMB million (except for percentages)	2020 RMB million (except for percentages)	
Operating Results			
Revenue	10,536.6	7,231.4	45.7%
Gross Profit	3,883.7	2,658.6	46.1%
<i>Gross Profit Margin</i>	36.9%	36.8%	
Net Profit Attributable to the Owners of the Company	2,675.1	1,717.2	55.8%
<i>Margin of Net Profit Attributable to the Owners of the Company</i>	25.4%	23.7%	
Adjusted Non-IFRS Net Profit Attributable to the Owners of the Company*	2,447.9	1,458.8	67.8%
<i>Margin of Adjusted Non-IFRS Net Profit attributable to the Owners of the Company</i>	23.2%	20.2%	
	RMB	RMB	
Earnings per Share			
— Basic	0.92	0.63	46.0%
— Diluted	0.91	0.62	46.8%
Adjusted Non-IFRS Earnings per Share*			
— Basic	0.84	0.53	58.5%
— Diluted	0.84	0.53	58.5%
	June 30, 2021	December 31, 2020	Change
	RMB million	RMB million	
	(except for percentages)	(except for percentages)	
Financial Position			
Total assets	52,177.4	46,291.2	12.7%
Equity attributable to the owners of the Company	36,731.6	32,493.7	13.0%
Total liabilities	15,193.8	13,572.7	11.9%
Bank balances and cash	9,805.7	10,228.1	-4.1%
Gearing ratio	29.1%	29.3%	

* The Company has adjusted the scope of a certain Non-IFRS measure. Please refer to "Management Discussion and Analysis — 1. The Management's Discussion and Analysis on Operations of the Group for the Reporting Period — B. Non-IFRS Measure" for details.

1. THE MANAGEMENT'S DISCUSSION AND ANALYSIS ON OPERATIONS OF THE GROUP FOR THE REPORTING PERIOD

A. Analysis on Principal Operations

During the Reporting Period, the Company continued to execute on its unique end-to-end full-service platform achieving numerous synergies and strong growth across our business segments, while grasping new business opportunities by actively engaging new long tail customers. As at the end of June 2021, our active customer base has exceeded 5,220 with about 1,020 new active customers added during the Reporting Period. Top 20 global big pharmaceutical companies made up 28.2% of our total revenue, representing a 29% YoY growth, while long tail customers, including both domestic and overseas ones, made up 71.8% of our total revenue, representing a 54% YoY growth. We continued to optimize cross-platform synergies and increased our presence globally, strengthening our unique competitive advantage as a fully integrated CRDMO (Contract Research Development and Manufacturing Organization) and a true one-stop service provider that is able to fulfill all our clients' discovery, development and manufacturing service needs. In order to better serve our global customers, we have about 30 facility sites covering China, US and Europe serving customers from over 30 countries. Our revenue is well diversified across different geographic locations. Detailed breakdown of our revenue by geographic locations is as follows:

Region	Revenue (RMB million)	Revenue Contribution	YoY Growth
		Weight %	
China	2,501.0	24%	48%
USA	5,834.9	55%	43%
Europe	1,489.9	14%	46%
Rest of the world	710.8	7%	58%
Total	10,536.6	100%	46%

The Company continued to expand its capabilities by adding talents with unique academic and professional qualifications across all levels of the organization. As at the end of June 2021, we had 28,542 staffs members, among which 9,179 staff members have a master's degree and 1,149 staff members have a doctoral degree. Based on Frost & Sullivan's latest market research report published in June 2021, the Company ranked first by market share in the China-based drug discovery CRO market, China-based pre-clinical and clinical CRO market as well as the China-based small molecule CDMO market. It ranked fourth place by market share within the global cell & gene therapies CDMO segment.

- **Revenue**

For the six months ended June 30, 2021, the Company realized RMB10,536.6 million in revenue, representing a YoY growth of 45.7%. The Company has achieved a continuous quarter over quarter revenue growth for 13 consecutive quarters since the first quarter of 2018 to June 30, 2021 (other than the first quarter of 2020 due to the COVID-19 pandemic). For the first quarter of 2021 and the second quarter of 2021, revenue grew by 4.9% and 12.8% on a quarter over quarter basis, respectively. Revenue from international clients increased 45% to RMB8,035 million and revenue from China clients grew 48% to RMB2,501 million. We continued to expand our customer base and retain existing clients. During the Reporting Period, revenue from existing clients grew 42% to RMB9,688 million and new clients contributed RMB849 million in revenue. During the Reporting Period, revenue attributable to global “long-tail” and China clients grew 54% to RMB7,570 million; revenue from top 20 global pharmaceutical companies grew 29%, up to RMB2,967 million in revenue. Our unique positioning across the pharmaceutical development value-chain allowed us to “follow-the-molecule” and enhance synergies across our business segments. Clients using services from more than one of our business units contributed RMB8,631 million in revenue, growing 40% year-over-year.

(1) *China-based Laboratory Services*

For the six months ended June 30, 2021, China-based Laboratory Services realized revenue of RMB5,487.3 million, representing a YoY growth of 45.2%. The Company has an experienced small molecule drug research team globally. After our recovery from COVID-19 in the second quarter of 2020, market demand has increased significantly and overseas orders grew significantly resulting in strong revenue growth.

With respect to small molecule drug discovery services, the Company conducted nearly 15,400 chemical reactions on a daily basis. We have developed a competitive, integrated target-to-hit discovery platform which empowers early stage small molecule new drug research customers, creating a portal of customer engagement for further business opportunities to downstream business units of the Company; this platform amongst others will continue to drive the mid-term to long-term business growth of the Company. During the Reporting Period, this integrated platform has empowered more than 2,200 global customers.

With respect to testing services, the Company provided a series of testing services such as DMPK, toxicology, bioanalysis, and analytical chemistry. Furthermore, the Company fully leveraged its integrated platform through the WIND service platform. We integrated API synthesis, formulation development, pharmacodynamics, pharmacokinetics, safety evaluation, dossier writing and regulatory filing of INDs to provide a one-stop service for customers. During the Reporting Period, 81 service contracts were signed off through the WIND platform with an average revenue per project reaching USD1.1~1.5 million. We helped many domestic and overseas customers submit their IND packages and obtain FDA clinical trial approval in eCTD format. In addition, compared with the same period in 2020, our toxicology service revenue continued a strong growth momentum reaching an 85.0% YoY growth during the Reporting Period.

Our domestic drug discovery services (DDSU) provided success-based small molecule drug discovery services to China-based pharmaceutical companies. During the Reporting Period, we helped our customers to file 7 IND applications to the NMPA, and received 8 clinical trial approvals (CTAs). As at June 30, 2021, we have filed 126 INDs and received 99 CTAs cumulatively, within which, 2 drug candidates are in phase III clinical trials and 12 drug candidates are in phase II, and 68 drug candidates are in phase I. Our competitive edge positioned us at the forefront of drug research in the China market; 78% of the molecules we enabled ranked in first 3 within the same class of drug candidates with respect to clinical development speed and expected time to approval.

(2) CDMO Services

For the six months ended June 30, 2021, CDMO services realized RMB3,598.7 million in revenue, representing a YoY growth of 66.5%. During the Reporting Period, the Company provided CDMO services for 1,413 molecules, comprised of 32 commercial projects, 48 phase III stage projects, 220 phase II stage projects and 1,113 phase I and preclinical stage projects. As at June 30, 2021, we are providing CDMO services for about 14% of the global innovative small molecule drug pipeline compared with 11.5% in 2019. This further exemplifies our expanding presence and penetration in the small molecule CDMO market.

During the Reporting Period, we had 4 molecules from our pipeline going into commercialization stage. One of the newly approved MET inhibitors was developed by us from the preclinical stage all the way to commercialization making it a successful case of our follow-the-molecule strategy. We are also rapidly scaling up the manufacturing of two novel small molecule drugs for treating COVID-19 infections for two of our big pharmaceutical company customers. For the first COVID-19 molecule, we enabled our customer to achieve IND and proceed with phase I clinical trials after only 6 months, and proceed to phase III after 9 months. Upon receipt of FDA approval, we will provide commercial manufacturing for our customer on a metric ton scale.

We continued to aggressively invest and expand our capabilities in the area of new modalities. Our total number of oligo and peptide CDMO compounds increased by 129% and ADC (antibody drug conjugate) CDMO clients increased by 57% on a YoY basis. Furthermore, in June 2021, we formed WuXi XDC, a joint venture company alongside WuXi Biologics, to provide integrated end-to-end ADC CDMO services.

(3) U.S.-based Laboratory Services

For the six months ended June 30, 2021, our U.S.-based laboratory services realized RMB658.9 million in revenue, representing a YoY decrease of 15.7%. The U.S.-based laboratory services mainly provided services including integrated cell & gene therapy process development, testing and manufacturing services (CTDMO), as well as medical device testing services. Our Philadelphia site provided services for 38 clinical stage projects, including 22 projects in phase I clinical trials and 16 projects in phase II/III clinical trials. The U.S.-based Laboratory Services business continued to be impacted by: (1) COVID-19 pandemic negatively which affected the overall operation efficiency and utilization of our laboratories and manufacturing facilities; (2) medical device testing services which experienced reduced demand, particularly in biocompatibility testing, as the new MDR implementation was suspended by one year due to the pandemic; (3) BLA filing delay of a late-stage cell therapy customer and a phase III clinical failure of another cell therapy customer, which negatively affected our cell & gene therapy CTDMO business.

Even though revenue related to our US medical device testing service was negatively impacted by the delay of MDR, the new EU MDR (EU 2017/745) has been officially enforced commencing May 26, 2021. Consequently, we expect the medical device testing business would gradually bounce back in second half of 2021 and to further improve in 2022.

(4) Clinical research and other CRO Services

For the six months ended June 30, 2021, clinical research and other CRO Services realized RMB782.5 million in revenue, representing a YoY growth of 56.5%. In 2020, business development and execution of the clinical research business in both China and US faced substantial challenges from the pandemic causing revenue growth to soften. However, in the first half of 2021, the pandemic situation improved in most areas within China and clinical research related activities almost returned to normal. During the Reporting Period, the clinical development service (CDS) team provided clinical research service to more than 170 projects in both China and the US. Our Company helped customers to accomplish 3 new drug applications and 5 clinical trial applications. Our SMO services revenue grew by 70.2% compared to that in the same period of 2020 while supporting 14 new drug approvals for our customers in China during the Reporting Period. Our SMO team continued to be the largest in China with about 4,000 staff members across about 147 cities. Team size grew by 43% compared to that of last year with revenue per headcount further improving.

- **Gross Profit**

For the six months ended June 30, 2021, our Company realized RMB3,883.7 million in gross profit, representing a YoY growth of 46.1%. Gross profit margin was 36.9%, which is stable compared to that of the same period last year. Gross profit margin was primarily driven by:

Positive impact: our small molecule CDMO business bounced back significantly versus last year, achieving a high level of operating efficiency. For the clinical research and other CRO business, any impact from the pandemic was largely mitigated allowing operating efficiency to come back to normal levels; thus, gross margin improved accordingly.

Negative impact: The U.S.-based laboratory services still faced considerable challenges due to the pandemic and customer BLA filing delays, impacting revenue growth. Despite top-line challenges, it was necessary to maintain overall operating costs to retain the team and ensure we continue to service our customers well; however, this resulted in a temporary negative impact on gross margin.

(1) *China-based Laboratory Services*

For the six months ended June 30, 2021, China-based laboratory services realized RMB2,252.2 million in gross profit. Gross profit margin decreased by 0.3 percentage point versus that in the same period last year, mainly driven by the resumption of social welfare expense.

(2) *CDMO Services*

For the six months ended June 30, 2021, CDMO services realized RMB1,467.3 million in gross profit. Gross profit margin improved by 1.4 percentage point versus that in the same period last year, mainly driven by business recovery from the pandemic, strong sales growth and improvement in operating efficiency, mitigating the effects of the USD depreciation against the RMB.

(3) *U.S.-based Laboratory Services*

For the six months ended June 30, 2021, U.S.-based laboratory services realized RMB58.1 million in gross profit. Gross profit margin dropped by 15.2 percentage point versus that in the same period of last year, mainly driven by the continued effects of the pandemic on sales and BLA submission delays. Additionally, the EU's temporary MDR implementation suspension negatively impacted revenue and gross margin of the medical device business.

(4) Clinical research and other CRO Services

For the six months ended June 30, 2021, clinical research and other CRO services realized RMB103.2 million in gross profit. Gross profit margin improved by 2.3 percentage point versus that in the same period of last year, mainly driven by the recovery post the pandemic and an overall improvement in operating efficiency.

- **Other Income**

Other income increased from RMB128.0 million for the six months ended June 30, 2020 to RMB206.1 million for the six months ended June 30, 2021, representing a YoY growth of 61.0%. The increase in other income was primarily due to: (1) increase in interest income of RMB65.7 million; (2) increase in R&D grants and others of RMB19.7 million; which was offset by (3) decrease in dividend income arising from financial assets at FVTPL of RMB7.3 million.

- **Other Gains and Losses**

Other gains and losses increased from RMB721.8 million for the six months ended June 30, 2020 to RMB740.6 million for the six months ended June 30, 2021, representing a YoY growth of 2.6%. The increase in other gains and losses was primarily due to: (1) increase in disposal gain of financial assets of RMB712.7 million; (2) increase in fair value gain on financial assets of RMB692.0 million, which mainly resulted from fair value gain on NanoMicro, Genesis, Lyell and Ambrx; and (3) increase in fair value of biological assets of RMB99.2 million; partially offset by (4) increase in loss of derivative financial instruments of RMB971.6 million mainly from the derivative component of the Convertible Bonds and partially offset by USD forward contracts settlement gain; (5) decrease in investment gain resulting from change of accounting method of our investment in JW Cayman from equity method to financial asset at FVTPL of RMB351.5 million in 2020; (6) increase in net foreign exchange loss of RMB159.6 million; and (7) increase in loss on disposal of plant and equipment of RMB2.8 million.

- **Selling and Marketing Expenses**

Selling and marketing expenses increased from RMB274.5 million for the six months ended June 30, 2020 to RMB355.3 million for the six months ended June 30, 2021, representing a YoY growth of 29.4%. The increase in selling and marketing expenses was primarily due to increase in travelling and marketing activities under better control of COVID-19 in China.

- **Administrative Expenses**

Administrative expenses increased from RMB829.3 million for the six months ended June 30, 2020 to RMB995.3 million for the six months ended June 30, 2021, representing a YoY growth of 20.0%. The increase in administrative expenses was primarily due to: (1) increase in personnel costs from employee increase; and (2) increase in depreciation and amortisation expenses driven by increasing investment in fixed assets.

- **R&D Expenses**

R&D expenses of the Company increased from RMB333.4 million for the six months ended June 30, 2020 to RMB404.4 million for the six months ended June 30, 2021, representing a YoY growth of 21.3%. The Company is committed to empowering the capacity of platform for biocatalysis and flow chemistry, etc., and increasing the investment in the resource scheduling algorithm development and a series of new capacity development R&D projects.

- **Share of (Losses) Profits of Associates**

Share of (losses) profits of associates increased from losses of RMB(17.9) million for the six months ended June 30, 2020 to gains of RMB217.3 million for the six months ended June 30, 2021. The turnaround from losses to gains in share of (losses) profits of associates was due primarily to: (1) increase in equity pick-up gain of RMB193.5 million from WuXi Healthcare Ventures II, L.P.; (2) increase in equity pick-up gain of RMB41.7 million from JW (Cayman) Therapeutics Co. Ltd., VW Clinical Innovations Limited and other associates.

- **Share of Losses of Joint Ventures**

Share of losses of joint ventures increased from losses of RMB12.4 million for the six months ended June 30, 2020 to losses of RMB22.3 million for the six months ended June 30, 2021. The increase in share of losses of joint ventures was due primarily to increase in equity pick-up loss of RMB12.3 million from CW Data Technologies (Chengdu) Limited and partially offset by increase in equity pick-up gains of RMB2.4 from others joint ventures.

- **Finance Costs**

Finance costs decreased from RMB110.8 million for the six months ended June 30, 2020 to RMB68.9 million for the six months ended June 30, 2021, representing a YoY decrease of 37.8%, primarily due to decrease in interest of borrowings.

- **Income Tax Expense**

Income tax expenses increased from RMB194.5 million for the six months ended June 30, 2020 to RMB487.7 million for the six months ended June 30, 2021, representing a YoY growth of 150.7%. The increase in income tax expenses was due primarily to: (1) increase in assessable profit and tax filing adjustment at subsidiaries in PRC and Hong Kong; (2) increase of deferred tax expense from fair value gain of financial assets.

- **Profit for the Reporting Period**

Profit for the Reporting Period increased from RMB1,727.5 million for the six months ended June 30, 2020 to RMB2,692.2 million for the six months ended June 30, 2021, representing a YoY increase of 55.8%. Net profit margin increased from 23.9% to 25.6% primarily due to: (1) strong revenue growth leading to profit increase during the Reporting Period and (2) increase in investment income and fair value gain from invested portfolio companies, mainly Hygeia, NanoMicro and Genesis and etc.

- **Cash Flows**

	Six months ended June 30,	
	2021 <i>RMB million</i>	2020 <i>RMB million</i>
Net cash from operating activities	2,063.5	1,399.6
Net cash used in investing activities	(2,486.0)	(2,531.0)
Net cash from/(used in) financing activities	62.8	(1,293.2)

For the six months ended June 30, 2021, net cash flows from operating activities of the Company amounted to RMB2,063.5 million, representing an increase of 47.4% over the six months ended June 30, 2020. The increase was primarily due to the increase in revenue, effective cost control and improvement on accounts receivable turnover.

For the six months ended June 30, 2021, net cash flows used in investing activities of the Company amounted to RMB2,486.0 million, representing a decrease of 1.8% over the six months ended June 30, 2020. The slight decrease was primarily due to the increase in receipt of cash from disposal of wealth management products, partially offset by increased expenditure of property, plant and equipment and non-current biological assets.

For the six months ended June 30, 2021, net cash flows from financing activities of the Company amounted to RMB62.8 million, compared to the net cash used in financing activities of the Company, which amounted to RMB1,293.2 million for the six months ended June 30, 2020. The turnaround was primarily due to higher repayment of borrowings during 2020.

- **Indebtedness**

As at June 30, 2021, total liabilities of the Company amounted to RMB15,193.8 million (December 31, 2020: RMB13,572.7 million), the composition of which was 35.2% being trade and other payables, 17.8% being Convertible Bonds, 14.9% being bank borrowings, 13.2% being contract liabilities and 8.1% being lease liabilities.

(1) *Borrowings*

As at June 30, 2021, the Company had aggregated borrowings of RMB2,271.2 million and the whole amount will be due within one year. Floating interest rate borrowings amounted to RMB962.6 million and fixed interest rate borrowings amounted to RMB1,308.6 million. USD borrowings amounted to RMB2,254.6 million (equivalent to USD349.0 million) and RMB borrowings amounted to RMB16.6 million.

(2) *Charges on Assets*

As at June 30, 2021, the Company pledged bank deposits with an amount of RMB8.7 million, which decreased by 4.4% from RMB9.1 million as at December 31, 2020. The balance mainly represented deposits placed in banks as collateral for banks to issue letters of guarantee for the Group's raw material purchasing and domestic construction projects.

(3) *Contingent Liabilities*

As at June 30, 2021, the Company has no significant contingent liabilities.

(4) *Gearing Ratio*

As at June 30, 2021, the gearing ratio, calculated as total liabilities over total assets, was 29.1%, as compared with 29.3% as at December 31, 2020. The lower ratio is due primarily to increased revenue and profit leading to increase in retained earnings and net assets.

- **Treasury Policies**

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

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

B. Non-IFRS Measure

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

To better reflect the operation results and key performance, the Company has adjusted the scope of the foreign exchange related gains or losses as set out in the table below, by adjusting only the gains or losses that the management believes are irrelevant to the core business. The comparative financial figures for the comparable periods has been adjusted to reflect the change of the scope.

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

Adjusted EBITDA

	Six months ended June 30,	
	2021 <i>RMB million</i> (except for percentages)	2020 <i>RMB million</i> (except for percentages)
Profit before tax	3,179.9	1,922.0
Add:		
Interest expense	68.9	110.8
Depreciation and amortization	693.6	567.6
EBITDA	3,942.4	2,600.3
<i>EBITDA margin</i>	37.4%	36.0%
Add:		
Share-based compensation expense	375.0	334.7
Convertible Bonds issuance expenses	2.4	3.3
Fair value losses from derivative component of Convertible Bonds	1,493.3	486.8
Foreign exchange related losses (gains)	79.0	(45.6)
Realized and unrealized gains from venture investments	(2,266.0)	(1,013.2)
Realized and unrealized share of losses from joint ventures	22.3	12.4
Adjusted EBITDA	3,648.5	2,378.7
<i>Adjusted EBITDA margin</i>	34.6%	32.9%

Note: The sum of the data above may not add up to the total amount due to rounding.

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

	Six months ended June 30,	
	2021	2020
	RMB million	<i>RMB million</i>
Profit attributable to the owners of the Company	2,675.1	1,717.2
Add:		
Share-based compensation expense	310.6	275.3
Convertible Bonds issuance expenses	1.8	2.5
Fair value losses from derivative component of Convertible Bonds	1,493.3	486.8
Foreign exchange related losses (gains)	66.8	(39.8)
Amortization of acquired intangible assets from merge and acquisition	26.2	17.6
Non-IFRS net profit attributable to the owners of the Company	4,573.8	2,459.6
Add:		
Realized and unrealized gains from venture investments	(2,148.2)	(1,013.2)
Realized and unrealized share of losses from joint ventures	22.3	12.4
Adjusted non-IFRS net profit attributable to the owners of the Company	2,447.9	1,458.8

Note: The sum of the data above may not add up to the total amount due to rounding.

C. Assets and Liabilities Analysis

In RMB million

Items	Amount as at June 30, 2021	Percentage of the amount to the total assets as at June 30, 2021 (%)	Amount as at December 31, 2020	Percentage of the amount to the total assets as at December 31, 2020 (%)	Ratio of change for the amount as at June 30, 2021 as compared with the amount as at December 31, 2020 (%)	Reasons
Assets						
Biological assets (non-current)	631.3	1.2	418.9	0.9	50.7	Primarily due to asset mix and fair market price increase leading to the rise of fair value of biological assets during the Reporting Period.
Goodwill	1,952.6	3.7	1,391.8	3.0	40.3	Primarily due to the goodwill arising from acquisition of Oxgene during the Reporting Period.
Other intangible assets	912.7	1.7	585.3	1.3	55.9	Primarily due to the intangible assets generated from the acquisition of Oxgene during the Reporting Period.
Interests in associates	930.8	1.8	712.3	1.5	30.7	Primarily due to increasing of equity gain from in WuXi Healthcare Ventures II L.P. resulting from the increase in the stock price of CStone Pharmaceuticals during the Reporting Period.
Financial assets at fair value through profit or loss ("FVTPL") (non-current)	9,467.3	18.1	6,717.2	14.5	40.9	Primarily due to increased strategic investments coupled with fair value gain from public listing of several portfolio companies during the Reporting Period.
Other non-current assets	2,134.8	4.1	1,395.6	3.0	53.0	Primarily due to the increasing investments in the certificates of deposits.
Inventories	2,777.8	5.3	1,933.8	4.2	43.6	Primarily due to the increasing customer orders with the expansion of CDMO business and increasing production capacity during the Reporting Period.
Contract costs	336.4	0.6	250.3	0.5	34.4	Primarily due to the increasing customer orders in CDMO business during the Reporting Period.
Amounts due from related parties (current and non- current)	26.7	0.1	57.3	0.1	-53.3	Primarily due to the decrease of services provided to related parties and the timely collection of receivables.

Management Discussion and Analysis

Items	Amount as at June 30, 2021	Percentage of the amount to the total assets as at June 30, 2021 (%)	Amount as at December 31, 2020	Percentage of the amount to the total assets as at December 31, 2020 (%)	Ratio of change for the amount as at June 30, 2021 as compared with the amount as at December 31, 2020 (%)	Reasons
Income tax recoverable	0.2	0.0	19.1	0.0	-98.8	Primarily due to the decrease of tax prepaid in US.
Financial assets at FVTPL (current)	2,180.5	4.2	4,617.7	10.0	-52.8	Primarily due to decrease of structured deposits during the Reporting Period.
Derivative financial instruments (current and non-current)	341.7	0.7	562.8	1.2	-39.3	Appreciation of RMB against USD during the Reporting Period led to the decrease of the assets for the forward contract the Company entered into.
Liabilities						
Amounts due to related parties	12.9	0.0	23.8	0.1	-45.8	Primarily due to repurchase price adjustment of A Share incentive plans upon execution of the 2020 Profit Distribution Plan and the unlocking and trading of several tranches of the Restricted A Shares.
Derivative financial instruments	10.2	0.0	0.9	0.0	1,090.9	Appreciation of RMB against USD during the Reporting Period led to the increase of the liabilities for the forward contract the Company entered into.
Borrowings	2,271.2	4.4	1,230.0	2.7	84.6	Primarily due to the increased borrowings for daily operations.
Financial liabilities at FVTPL	—	—	16.5	0.0	-100.0	Primarily due to the contingent consideration from acquisition of Pharmapace, Inc. has been settled during the Reporting Period.
Convertible Bonds	2,704.0	5.2	3,401.1	7.3	-20.5	Primarily due to conversion of the Bonds to Shares.

D. Analysis on Investments

Investment on wealth management products

The Company adopted a prudent financial management approach towards its treasury policy and maintained a healthy financial position throughout the Reporting Period. To better utilize surplus cash generated from operating and financing activities, we have engaged in treasury management activities by investing in wealth management products issued by financial institutions in the PRC. All the short-term investments should have a proper tenor to match funding needs generated from operating and investing activities, with a view to strike a balance among principal guarantee, liquidity and yield.

As at June 30, 2021, the balance of current financial assets at FVTPL amounted to RMB2,180.5 million, representing 4.2% of our total assets. Products associated with 89.0% of the investment balance have a maturity date within 30 days. At the end of the Reporting Period, the Company invested in wealth management products mainly in the following two categories:

- a) Structured deposits, which are conservative products with guaranteed principals and the amount of yields contingent on the indicative performance of the financial market and derivatives, such as interest rate derivatives, foreign exchange and commodity.
- b) Financial products, which are primarily conservatively-constructed portfolios of income with high liquidity and outstanding yield, such as bonds, inter-banking deposits, and notes.

In RMB million

Maturity days	Structured deposits	Financial products	Total
0 day–30 days	1,936.2	4.8	1,941.0
30 days–90 days	239.5	—	239.5
Total	2,175.7	4.8	2,180.5

Investment in companies

As part of our efforts to foster the ecosystem, the Company has established joint ventures and associates, and made selective investments in a wide variety of companies within the healthcare ecosystem. We primarily focus our investments on: (1) targets that fit into and support our existing value chain, (2) cutting edge technologies that we believe will advance the healthcare industry, (3) strategic long-term investments, and (4) venture capital funds, all of which would allow us to further access a wider variety of participants in the healthcare ecosystem while maintaining our position at the forefront of science.

During the Reporting Period, investments in joint ventures and associates amounted to a total of RMB39.9 million. The Company continues to make additional investment in existing joint ventures and associates as well as new investment in Dalian Elite Analytical Instruments Co., Ltd. and Suzhou Huiju Private Equity Fund Management Co., Ltd.* (蘇州藥明匯聚私募基金管理有限公司), so as to strengthen the Company's synergy and promote the development of core business, access a broader customer base and enhance service ability.

During the Reporting Period, investments in other equities aside from joint ventures and associates amounted to a total of RMB1,813.8 million. Our investments in financial assets at FVTPL mainly include three categories, the movements of which during the Reporting Period are listed below:

In RMB million

	Listed companies	Fund investments	Non-listed companies	Total
Opening Balance	1,835.8	391.4	4,489.9	6,717.2
Addition	71.8	137.9	1,604.1	1,813.8
Transfer from non-listed companies/(transfer to listed companies)	1,252.2	—	(1,252.2)	—
Fair value change during the Reporting Period	694.0	58.3	499.1	1,251.4
Disposals of shares	(178.0)	—	(71.8)	(249.8)
Dividend	—	(8.6)	—	(8.6)
Foreign exchange effect	(26.5)	(1.9)	(28.3)	(56.8)
Ending Balance	3,649.3	577.1	5,240.8	9,467.2

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

We primarily invest using our own funds through our venture capital arm, WuXi PharmaTech Healthcare Fund I L.P., which is expected to play an increasingly significant role in contributing to the healthcare ecosystem. The followings are some of our largest investments across several different areas in the healthcare industry as at June 30, 2021.

Genesis Medtech Group Limited

Genesis provides high-quality research, production and sales services on medical device. As at June 30, 2021, the fair value of the equity interests held by our Group in Genesis amounted to RMB1,144.8 million (representing 2.2% of our total assets).

Genesis aspires to become China's largest medical technology company, an integrated platform with comprehensive product portfolio and extensive sales network with a business focus in the high-value medical device area. As at June 30, 2021, Genesis has more than 1,700 employees and covers 3,000 county hospitals.

JW (Cayman) Therapeutics Co. Ltd (HKEX: 02126)

JW Cayman is a leading technology platform, focusing on the research, development, transformation and application of cellular immunotherapy in the industry, so as to lead the comprehensive development of cellular immunotherapy. JW Cayman was listed on the Main Board of the Hong Kong Stock Exchange in 2020. As at June 30, 2021, the Company held about 9.86% equity interests in JW Cayman, with a fair value of RMB835.9 million (representing 1.6% of our total assets).

The main product of JW Cayman is relmacabtagene autoleuce L (“**relma cel**”), which is an anti-CD19 chimeric antigen receptor T-cell Immunotherapy (“**CAR-T**”) therapy for relapsed or refractory (“**r/r**”) B-cell lymphoma. The NMPA has accepted and reviewed the application of relma cel for the third line therapy of diffuse large B cell lymphoma (“**DLBCL**”) by JW Cayman in June 2020.

Lyell Immunopharma, Inc. (NASDAQ: LYEL)

Lyell is a pre-revenue biopharmaceutical company addressing unsolved problems of creating reliable, curative adoptive cell therapy for solid tumors. As at June 30, 2021, the Company held approximately 2.6% equity interests in Lyell (on a fully diluted base) with fair value amounting to RMB763.8 million (representing 1.5% of our total assets). During the Reporting Period, Lyell was listed on the main board of the NASDAQ.

Lyell brings together an unrivalled scientific team with a collection of novel technologies aimed at tackling these three unsolved barriers:

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

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

NanoMicro is a high-tech enterprise specializing in the R&D, large-scale production, sales and application services of high-performance nanomicrosphere materials, providing core microsphere materials and related technical solutions to customers in the fields of biomedicine, flat panel display, analytical testing and in vitro diagnostics. During the Reporting Period, NanoMicro was listed on Science and Technology Innovation Board of Shanghai Stock Exchange. As at June 30, 2021, the Company held approximately 1.7525% of its equity, with a fair value of RMB651.1 million (1.3% of the total assets of the Company).

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

Ambrx Biopharma Inc. (NYSE: AMAM)

Ambrx is a clinical-stage biologics company focused on discovering and developing a novel class of engineered precision biologics (EPBs) using its proprietary expanded genetic code technology platform that allows it to incorporate, in a site-specific manner, synthetic amino acids (SAAs) into proteins within living cells. Ambrx created the world's first living cell unnatural amino acid insertion system and is also the only one that can incorporate SAA into cells in both of eukaryotic and prokaryotic cells to precisely design and modify proteins. Its product candidates are designed to overcome the inherent limitations of conventional conjugation approaches that use natural amino acids for non-site-specific conjugation, offering potential safety and efficacy benefits to treat patients across multiple therapeutic areas.

Ambrx's internal pipeline is focused on creating antibody-drug conjugate (“**ADC**”) and immune-oncology conjugate candidates, including the most advanced internal ADC candidate currently ARX788, which is being studied broadly in breast cancer (phase 2/3 clinical trial), gastric/GEJ cancer and other solid tumor trials. Ambrx has established collaborations with multiple pharmaceutical companies in additional therapeutic areas, including metabolic disorders and cardiovascular disease.

During the Reporting Period, Ambrx was listed on the New York Stock Exchange. As at June 30, 2021, the Company held approximately 11.1% of Ambrx's equity (on a fully diluted basis), with a fair value of RMB471.2 million (accounting for 0.9% of the Company's total assets).

Significant Investment Held

As at June 30, 2021, the Group did not hold significant investments with a value of 5% or more of the Company's total assets and none of the above mentioned investment constituted such significant investment to our Group. As at the date of this interim report, the Group does not have any plan for material investments or purchase of capital assets

E. Core Competence Analysis

We believe that the below strengths have enabled us to succeed and stand out from our competitors:

(1) Leading global pharmaceutical R&D services platform with integrated end-to-end capabilities

We are a global leading integrated end-to-end new drug R&D service platform, enabling pharmaceutical innovations worldwide. Our integrated end-to-end new drug R&D services capability is expected to fully benefit from the rapid development of the global new drug R&D outsourcing services market. We provide comprehensive services that meet diversified customers' demands. At the early stage of new drug R&D, we enable our customers with our expertise and gradually established a trusted partnership. At the CRO and CDMO stage, we provide services from "follow the project" to "follow the molecule", and win more business opportunities in the late development and commercialization stage.

During COVID-19, by leveraging our multi-site operations and comprehensive service capabilities, we ensured business continuity and delivery timelines, which were highly appreciated by our global customers. In the future, we will continue to invest in new capabilities and capacities and better enable pharmaceutical innovation worldwide.

(2) Enabling innovation to strengthen our competitive advantage

Our principle of "enabling innovation" plays a significant part in the way we design, offer and deliver our services, enabling us to deploy our latest know-how and capabilities whenever possible to fulfill our customers' demands and empower them to transform ideas into reality. We are able to anticipate technological development and emerging R&D trend of the industry in the future and seize new development opportunities. In the past few years, with the continuous emergence of new technologies, new mechanisms of action and new therapeutic modalities, the global and China healthcare industry has developed rapidly. Looking forward, we will continue to invest in new capabilities and capacities, such as proteolysis-targeting-chimera (PROTAC), oligonucleotide, peptide, ADC, bi-specific antibody, cell and gene therapies, to capture new business opportunities and help our global partners to bring ground-breaking medicines and treatments to patients in need.

We have rich experience in cutting-edge expertise, and we further explore technologies such as AI, medical big data and laboratory automation, etc. We strive to apply them in R&D of new drugs as early as possible to help our customers increase their R&D efficiency and lower the entry barrier of pharmaceutical R&D. Leveraging our deep insights on industrial trends and emerging technologies, we enable our customers with the latest scientific and technological discoveries and convert them to potential products.

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

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

In terms of organic growth, we continue to increase our capacities and enhance capabilities across all segments and facilities globally. During the Reporting Period, WuXi STA, a subsidiary of the Company, actively expanded its global footprint and announced the construction of a new API and drug product manufacturing facility in Delaware, the US. It will become the second WuXi STA facility in the US and our 8th research and manufacturing facility globally. WuXi Advanced Therapies, the cell and gene therapies business unit of the Company, has also started construction of a research and manufacturing facility in Lingang, Shanghai, and the designed capacity is 15,300 square meters. Upon construction completion, it will become our second cell and gene therapy manufacturing facility in China, following the first facility built in Wuxi, China. The new Lingang site features a comprehensive and end-to-end customized services ranging from process development, research class plasmid production to GMP grade of plasmid production.

In terms of M&A strategy, the Company focuses on the acquisition of companies that will enhance the service capabilities of our platform and expand our global footprint to better service our global customers. Guided by this strategy, during the Reporting Period, we completed the acquisition of Oxgene, a British company with headquarters based in Oxford, UK. Oxgene's transient AAV production system and revolutionary new TESSA™ technology build on its considerable expertise in cell line development and plasmid engineering. Based on its widely recognized SnapFast™ plasmid technology, its transient production system facilitates high quality, high-titre AAV production, while its scalable TESSA™ technology offers a plasmid free alternative for large scale clinical manufacturing. With this advanced technology, we can better leverage our global ATU production capacity and provide more competitive products and services to our customers. This acquisition significantly enhances our CTDMO technology capability. With regards to expanding our global footprint, in February 2021, WuXi STA announced its plan to acquire a production facility based in Couvet, Switzerland from BMS. This facility will be our first production site in Europe and features advanced large scale production capability of capsules and tablets at commercialization stage. This expansion of our global footprint and supply capability should enable the Company to better meet the demands of our global customers.

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

We have a strong, loyal and expanding customer base. During the Reporting Period, we added over 1,020 new customers and provided services to more than 5,220 active customers in over 30 countries, including all of the top 20 global pharmaceutical companies. During the Reporting Period, the top 20 global pharmaceutical companies made up 28.2% of our total revenue. We also enjoyed 100% retention of our top 10 customers from 2015 to June 30, 2021. Our service capabilities continue to expand and the number of our customers continue to grow. We aim to lower entry barriers for the discovery and development of innovative drugs with respect to capabilities, capacities and capital, and are committed to embracing the demands of new and existing customers, thereby attracting new participants to join the evolving healthcare ecosystem. Through this, we believe that we are able to catalyze and benefit from the continuous transformation of the healthcare ecosystem. By nurturing and incubating the rise of new business models and encouraging participants to develop new drugs and healthcare products, we drive the creation of new knowledge and technologies, stimulate new demand and improve efficiency, which further fuels the growth of all participants.

During the Reporting Period, we minimized the impact of COVID-19 and were committed to working alongside our customers and partners in the global healthcare community to keep the R&D and manufacturing engine humming. We maintained and continued to be in close communication with our global customers through video conferencing and enabled them to work at home while they collaborated with us to advance their R&D programs. During the Reporting Period, we organized 7 online forums, including WuXi Global Forum, an online forum on COVID-19, and an online forum on rare diseases, etc. A total of 109 industry leading speakers were invited to share their views on industry innovation, review past experience and challenges, and forecast future opportunities and breakthroughs with audiences around the world. Over 6,900 people have registered for our online forums. The total number of live views of rare disease non-profit series promotional event exceeded 9 million person-time. In addition, we also launched “WuXi On Air”, a live online webinar, sharing our expertise and experience with industry participants. We completed 29 webinars, involving 11 series across 7 business units. WuXi On Air covered more than 20 overseas countries and regions as well as 34 provincial administrative regions of China, with a total number of over 70,000 viewers.

(5) Experienced management team with vision and ambition

We are led by Dr. Ge Li, one of the pioneers in the pharmaceutical outsourcing industry. All members of our senior management team have worked at the forefront of the pharmaceutical industry, with significant industry experience in their areas of expertise. Our management team is reputable in the area of life science both in the US and China. Dr. Ge Li and our senior management team are passionately committed to the vision and ambition to transform the drug discovery and development industry and become a leading player in the global healthcare ecosystem.

F. Other Events

(1) End of lock-up period of A Shares with restricted conditions issued under the Non-Public Issuance of A Shares

The Non-Public Issuance of A Shares and the registration of such 62,690,290 new A Shares (representing approximately 2.56% of the then total issued share capital of the Company) with the Shanghai Branch of the China Securities Depository and Clearing Corporation Limited were completed on September 23, 2020. Such A Shares had restricted conditions and were subject to a lock-up period of six months from the listing of A Shares under the Non-Public Issuance of A Shares. The abovementioned A Shares were released from the trading restrictions and became available for trading from March 24, 2021. Please refer to the relevant announcement of the Company dated March 18, 2021 for further details.

(2) End of lock-up period of A Shares with restricted conditions issued under the A Share IPO

With respect to the A Share IPO, certain shareholders of the Company have undertaken that within 36 months immediately following the listing date of the A Share IPO, they will not dispose of any A Shares held by them. Such A Shares shall be released from the selling restrictions under the lock-up undertakings and available for trading from May 10, 2021. The number of Restricted A Shares to be released from the selling restrictions is 633,784,587, representing 25.8621% of the then total issued share capital of the Company. Please refer to the relevant announcement of the Company dated April 29, 2021 for further details.

(3) Unlocking and trading of the Restricted A Shares granted under the 2018 A Share Incentive Plan and/or the 2019 A Share Incentive Plan

2018 A Share Incentive Plan

On April 28, 2021, the Board resolved to approve the resolutions in relation to the fulfilment of the conditions for unlocking the first tranche of the Restricted A Shares granted under the 2018 Reserved Grant for the first unlocking period. As a result, a total of 16 incentive participants have satisfied the conditions for unlocking the Restricted A Shares granted under the 2018 Reserved Grant for the first unlocking period and a total of 199,087 Restricted A Shares were unlocked, representing approximately 0.01% of the then total share capital of the Company and approximately 0.01% of the then total number of A Shares of the Company, respectively. Please refer to the announcement of the Company dated April 28, 2021 for further details.

On April 28, 2021, the Board resolved to approve the resolutions in relation to the fulfilment of the conditions for unlocking the Restricted A Shares granted under the initial grant of the 2018 A Share Incentive Plan for the second unlocking period. As a result, a total of 1,215 incentive participants have satisfied the conditions for unlocking the Restricted A Shares granted under the initial grant of the 2018 A Share Incentive Plan for the second unlocking period and a total of 3,346,183 Restricted A Shares were unlocked, representing approximately 0.14% of the then total share capital of the Company and approximately 0.16% of the then total number of A Shares of the Company, respectively. Please refer to the announcement of the Company dated May 6, 2021 for further details.

2019 A Share Incentive Plan

On March 1, 2021, the Board resolved to approve the resolutions in relation to the fulfilment of the conditions for unlocking the first tranche of the Restricted A Shares granted under the special grant of the 2019 A Share Incentive Plan. Pursuant to the terms of the 2019 A Share Incentive Plan, due to (i) the expiration of first lock-up period on February 28, 2021 and the commencement of first unlocking period on March 1, 2021 and (ii) the fulfilment of conditions for unlocking the Restricted A Shares granted under the special grant of the 2019 A Share Incentive Plan, the unlocking of 34,843 Restricted A Shares of 1 incentive participant granted under the special grant of the 2019 A Share Incentive Plan for the first unlocking period was approved. Listing of and trading in the aforementioned unlocked Restricted A Shares commenced on March 5, 2021. Please refer to the announcement of the Company dated March 1, 2021 for further details.

On June 25, 2021, the Board resolved to approve the resolutions in relation to the fulfilment of the conditions for unlocking the first tranche of the Restricted A Shares granted under the 2019 Adjusted Initial Grant. Pursuant to the terms of the 2019 A Share Incentive Plan, due to (i) the expiration of first lock-up period on December 30, 2020 and the commencement of the first unlocking period on December 31, 2020 and (ii) the fulfillment of conditions for unlocking the Restricted A Shares granted under the 2019 Adjusted Initial Grant, the unlocking of 8,260,039 Restricted A Shares of 1,880 Incentive Participants under the 2019 Adjusted Initial Grant for the first unlocking period was approved. Listing of and trading in the aforementioned unlocked Restricted A Shares commenced on July 1, 2021. Please refer to the announcement of the Company dated June 25, 2021 for further details.

(4) Exercise of Share Options granted under the 2018 Reserved Grant

Following the fulfillment of the exercise conditions for the first exercisable period of the share options granted on July 19, 2019 under the 2018 Reserved Grant of the 2018 A Share Incentive Plan, one of the incentive participants, being a member of the Company's senior management, has exercised 98,000 units of the share options granted to him under the 2018 Reserved Grant of the 2018 A Share Incentive Plan at the exercise price of RMB46.34 per unit. The underlying shares of the exercised share options are ordinary A Shares to be issued by the Company to the incentive participant. On February 23, 2021, the Company has completed the registration of such new A Shares with the Shanghai Branch of the China Securities Depository and Clearing Corporation Limited. Listing of and trading in the aforementioned new A Shares commenced on March 1, 2021. Please refer to the relevant announcement of the Company dated February 23, 2021 for further details.

(5) Exercise of Share Options granted under the 2019 Initial Grant for the first vesting period during the second quarter of 2021

As the Share Options under the 2019 Adjusted Initial Grant were granted on November 25, 2019, the first withholding period of the Share Options granted under the Adjusted Initial Grant matured on May 24, 2021. Following the fulfillment of the exercise conditions for the first vesting period of the Share Options granted under the 2019 Adjusted Initial Grant and the implementation of the 2020 Profit Distribution Plan, the first vesting period of the Share Options granted under the 2019 Adjusted Initial Grant shall be from June 9, 2021 to May 25, 2022. The number of Share Options which will become vested to the 376 adjusted incentive participants during the first vesting period shall be adjusted to 2,868,385 units at the exercise price of RMB38.62 per unit. Please refer to the relevant announcement of the Company dated June 3, 2021 for further details.

During the period from June 9, 2021 to June 30, 2021, 258 Incentive Participants have exercised an aggregate of 1,714,578 units of Share Options granted under the 2019 Adjusted Initial Grant for the first vesting period. The underlying shares of the exercised Share Options are ordinary A Shares to be issued by the Company to the Incentive Participants. The Company has completed the registration of the underlying A Shares with the Shanghai Branch of the China Securities Depository and Clearing Corporation Limited. The underlying A Shares were credited to the respective securities accounts of the Incentive Participants on the first trading day (T + 1) after the date of exercise of the Share Options (T), while trading in the underlying A Shares shall commence on the trading day thereafter (T + 2). Please refer to the relevant announcement of the Company dated July 1, 2021 for further details.

(6) Adjustment to the exercise price and number of the second and third tranches of Share Appreciation Rights granted under the 2019 Share Appreciation Scheme and fulfillment of exercise conditions for second exercisable period of Share Appreciation rights granted under the 2019 Share Appreciation Scheme

On June 25, 2021, the Board resolved to approve the resolutions in relation to, among other things, (i) the adjustment to the exercise price and number of share appreciation rights granted under the 2019 Share Appreciation Scheme; and (ii) the fulfilment of the exercise conditions for the second exercisable period of the share appreciation rights granted under the 2019 Share Appreciation Scheme. Following the implementation of the 2020 Profit Distribution Plan, the number of the second and third tranches of share appreciation rights granted by the Company which are exercisable during the second exercisable period and the third exercisable period, respectively, shall be adjusted from 1,707,792 units to 2,049,342 units and the exercise price of which shall be adjusted from HKD51.43 per unit to HKD42.86 per unit accordingly. The exercise conditions for the second exercisable period of the share appreciation rights granted under the 2019 Share Appreciation Scheme have been fulfilled and a total of 1,022,841 units of share appreciations rights will become exercisable by 170 Incentive Participants during the second exercisable period. Please refer to the relevant announcement of the Company dated June 25, 2021 for further details.

(7) 2020 Capitalization of Reserve pursuant to the 2020 Profit Distribution Plan

On May 13, 2021, the 2020 Profit Distribution Plan of the Company was approved at the 2020 AGM, the first A Share class meeting of 2021 and the first H Share class meeting of 2021 of the Company. Pursuant to the 2020 Profit Distribution Plan, two (2) 2020 Capitalization Shares of the Company will be issued for every ten (10) Shares of the Company held by the Shareholders on the relevant record date (i.e. June 7, 2021) by way of capitalization of reserve. Accordingly, the total number of Shares of the Company has changed from 2,450,633,599 Shares to 2,940,760,318 Shares. Please refer to the circular of the Company dated April 9, 2021 and the relevant announcement of the Company dated May 13, 2021 for further details.

(8) Adjustment to the exercise price and number of the share options granted under the reserved grant of the 2018 A Share Incentive Plan and/or under the initial grant of the 2019 A Share Incentive Plan*2018 A Share Incentive Plan*

Following the implementation of the 2020 Profit Distribution Plan, the number of Share Options granted under the reserved grant of the 2018 Incentive Plan shall be adjusted to 289,296 units and the exercise price of which shall be adjusted to RMB38.62 per unit. Please refer to the relevant announcement of the Company dated May 20, 2021 for further details.

2019 A Share Incentive Plan

Following the implementation of the 2020 Profit Distribution Plan, the number of Share Options granted under the initial grant of the 2019 A Share Incentive Plan shall be adjusted to 7,200,260 units and the exercise price of which shall be adjusted to RMB38.62 per unit. Please refer to the relevant announcement of the Company dated May 20, 2021 for further details.

(9) Repurchase and cancellation of part of the Restricted A Shares and cancellation of part of the Share Options granted under the 2018 A Share Incentive Plan and/or the 2019 A Share Incentive Plan*2018 A Share Incentive Plan*

The “Proposal on the Repurchase and Cancellation of Part of the Restricted A Shares Granted under the Restricted A Shares and Stock Option Incentive Plan of 2018 of the Company” was approved at the seventeenth meeting of the second session of the Board. Pursuant to the above proposal, due to (i) the departure of 39 incentive participants of the 2018 A Share Incentive Plan before the expiry of the lock-up period; (ii) a total of 4 incentive participants being unable to satisfy the performance appraisal target at the individual level for 2020; and (iii) the implementation of the 2020 Profit Distribution Plan, the Company shall repurchase a total of 184,089 Restricted A Shares granted under the initial grant of the 2018 A Share Incentive Plan at the repurchase price of RMB18.69 per A Share after relevant adjustments to the repurchase price and a total of 25,200 Restricted A Shares granted under the 2018 Reserved Grant at the repurchase price of RMB18.85 per A Share after relevant adjustments to the repurchase price. Please refer to the relevant announcement of the Company dated June 25, 2021 for further details.

2019 A Share Incentive Plan

The “Proposal on the Cancellation of Part of the Share Options Granted under the Restricted A Shares and Stock Option Incentive Plan of 2019 of the Company” was approved at the fifteenth meeting of the second session of the Board. Pursuant to the above proposal, due to the departure of 23 Incentive Participants before the expiry of the withholding period of the Share Options, the Company shall cancel 296,394 units of Share Options granted under the Adjusted Initial Grant. Please refer to the relevant announcement of the Company dated April 28, 2021 for further details.

The “Proposal on the Repurchase and Cancellation of Part of the Restricted A Shares and the Cancellation of Part of the Share Options of the Restricted A Shares and Stock Option Incentive Plan of 2019 of the Company” was approved at the seventeenth meeting of the second session of the Board. Pursuant to the above proposal, due to (i) the departure of 54 Incentive Participants before the expiry of the lock-up period and 6 Incentive Participants before the expiry of the vesting period for the Initial Grant; (ii) 10 Incentive Participants being unable to satisfy the performance appraisal target at 2020; and (iii) the implementation of the 2020 Profit Distribution Plan, the Company shall repurchase a total of 461,550 Restricted A Shares granted under the 2019 Adjusted Initial Grant at the repurchase price of RMB18.85 per A Share after relevant adjustments to the repurchase price, repurchase a total of 20,160 Restricted A Shares granted under the 2019 Reserved Grant at the repurchase price of RMB33.55 per A Share after relevant adjustments to the repurchase price and cancel 77,741 units of Share Options granted under the 2019 Adjusted Initial Grant. Please refer to the relevant announcement of the Company dated June 25, 2021 for further details.

(10) Adjustment to the conversion price of USD300 million zero coupon convertible bonds due 2024

Pursuant to the terms and conditions of the Bonds, the price at which H Shares will be issued upon conversion is subject to adjustment for, among other things, capital distributions and capitalization of profits or reserves made by the Company. Therefore, the conversion price of the Bonds has been adjusted from HKD79.85 per H Share to HKD66.17 per H Share as a result of the approval of the payment of the 2020 Profit Distribution and the 2020 Capitalization of Reserve by the Shareholders at the 2020 AGM with effect from June 8, 2021, being the day immediately after the record date for determining H Shareholders’ entitlement to the 2020 Capitalization of Reserve and 2020 Profit Distribution, as well as certain minor rounding adjustments to the conversion price of the Bonds over the course of 2020 which were not required to be reflected immediately and have been carried over pursuant to the terms and conditions of the Bonds. Save as disclosed above, all other terms of the Bonds remain unchanged. Please refer to the relevant announcement of the Company dated June 7, 2021 for further details.

(11) Participating in the establishment of the Joint Venture Company and formation of the Partnership

On March 8, 2021 (after trading hours), WuXi Investment, MeadowSpring, Firstred and Suzhou Private Capital has established Joint Venture Company. Pursuant to the articles of association of the Joint Venture Company, WuXi Investment agreed to contribute RMB45 million (equivalent to approximately HKD53.91 million), representing 45% of the registered capital of the Joint Venture Company. Following the completion of the establishment of the Joint Venture Company, Wuxi Investment, MeadowSpring, Jiaying Firstred Pengying Equity Investment Co., Ltd* (嘉興晨壹蓬瀛股權投資有限公司) (a wholly-owned subsidiary of Firstred), Suzhou Yisu Investment Co., Ltd* (蘇州翼蘇投資有限公司) (a wholly-owned subsidiary of Suzhou Private Capital) and the Joint Venture Company will enter into the Partnership Agreement to form the Partnership. Pursuant to the Partnership Agreement, WuXi Investment will contribute RMB45 million (equivalent to approximately HKD53.91 million) to the capital of the Partnership as a Limited Partner, representing 44.55% of the partnership interest therein. MeadowSpring is controlled by Mr. Edward Hu, an executive Director. MeadowSpring is an associate of Mr. Edward Hu and therefore a connected person of the Company. Accordingly, the establishment of the Joint Venture Company and the formation of the Partnership, which involved concurrent capital contributions by WuXi Investment and MeadowSpring, constitute connected transactions of the Company under Chapter 14A of the Listing Rules. Please refer to the announcement of the Company dated March 8, 2021 for further details.

(12) Proposed related parties transactions

The Company has obtained the Shareholders' approval at the 2020 AGM for the following proposed related parties transactions: (i) STA Pharmaceutical, a wholly-owned subsidiary of STA and an indirect non-wholly-owned subsidiary of the Company, will, together with WuXi Biologics, make capital contributions (the "**Capital Contribution**") to WuXi XDC (Cayman) Inc. ("**WuXi XDC**"); (ii) upon completion of the Capital Contribution, WuXi XDC will set up a wholly-owned subsidiary to be incorporated under the laws of Hong Kong, which shall acquire all the issued share capital of WuXi Biologics Conjugation Co., Ltd.* (無錫藥明偶聯生物技術有限公司) ("**WuXi Conjugation**") currently held by WuXi Biologics, following the completion of which, WuXi Conjugation will set up a wholly-owned subsidiary in Shanghai to acquire the Antibody — Drug Conjugate ("**ADC**") business of WuXi Biologics currently held through its wholly-owned subsidiary WuXi Biologics (Shanghai) Co., Ltd.* (上海藥明生物技術有限公司), at an aggregate consideration of RMB420 million (the "**ADC Acquisition**"). WuXi XDC will also, through a wholly-owned subsidiary to be set up by WuXi Conjugation in Changzhou, enter into an asset transfer agreement with Changzhou STA, to acquire the payload and linker R&D business and the GMP manufacturing business of Changzhou STA (which include customer resources, assets relating to the payload and linker R&D business and personnel at a consideration of RMB280 million (the "**Asset Transfer Agreement**"); and (iii) following the completion of the Capital Contribution, the ADC Acquisition, the Asset Transfer Agreement and the transactions contemplated thereunder, STA may, depending on actual needs, enter into separate agreements to (a) provide WuXi XDC with R&D and GMP manufacturing services for payload and linker and polypeptide drugs and oligonucleotide drugs (the annual cap for such services during 2021 is not expected to exceed RMB150 million, assuming the completion of the aforementioned transactions takes place by the end of 2021); and (b) provide property leasing and composite services to WuXi Conjugation (the annual cap for such services during 2021 is not expected to exceed RMB10 million, assuming the completion of the aforementioned transactions takes place by the end of 2021). As at the date of this interim report, the completion of the Capital Contribution, the ADC Acquisition, the Asset Transfer Agreement and the transactions contemplated thereunder has not yet taken place. Please refer to the circular of the Company dated April 9, 2021 for further details.

2. THE MANAGEMENT'S DISCUSSION AND ANALYSIS ON FUTURE DEVELOPMENT OF THE COMPANY

A. Competition and Development Trends of the Industry

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

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

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

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

B. Potential Risks

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

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

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

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

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

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

(4) Business compliance risk

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

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

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

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

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

(7) Risk of failure in business expansion

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

(8) Foreign exchange risk

We conduct a multinational business. Fluctuations in exchange rates between the RMB and USD and other currencies may be affected by, among other things, changes in political and economic conditions. During the Reporting Period, most of the revenue of the main business was denominated in USD while a majority of our cost of services and operating costs and expenses were denominated in RMB. During the Reporting Period, RMB exchange rate demonstrated significant volatility and the Company's foreign exchange gain/(loss) in the six months ended June 30, 2020 and June 30, 2021 were RMB81.4 million gain and RMB78.2 million loss, respectively. If RMB appreciates significantly against USD, our margins might be pressured, a portion of cost denominated in USD might be increased and the size of our international customers' orders might be contracted due to increase of unit prices of services denominated in USD, which may adversely impact our profitability as a result.

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

Value of our assets or liabilities measured at FVTPL, such as investments in listed companies and other non-listed portfolios, derivative component of Convertible Bonds, foreign currency forward contract and biological assets, are determined at the fair value at the end of each reporting period, with the changes in fair value recognized in current profit and loss. Among which the value of our investments in listed companies, fund companies, and other non-listed portfolios are recorded as other non-current financial assets measured at FVTPL, the value of which could be greatly affected by market fluctuations. At the end of the Reporting Period, the balance of our investments in above other non-current financial assets measured at FVTPL was RMB9,467.3 million. In the six months ended June 30, 2021 and June 30, 2020, fair value change of our investments in these other non-current financial assets measured at FVTPL were RMB1,251.4 million in gains and RMB587.7 million in gains, respectively, with a variance of RMB663.7 million. The Company pays close attention to the investee listed companies with a view to making timely and ongoing investment decisions with these investee companies. As we mark-to-market the fair value of certain of our investments on a periodic basis, we expect the fair value of our financial assets at FVTPL, especially our investments in publicly-traded companies, may be negatively affected by capital market fluctuations which will further bring significant negative effect to our net profit.

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

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

USE OF NET PROCEEDS FROM THE A SHARE LISTING

The total net proceeds from the issue of A Shares by the Company in its A Share Listing amounted to approximately RMB2,130.3 million and the balance of unutilized net proceeds of A Share Listing is approximately RMB697.2 million as at June 30, 2021.

The net proceeds from the A Share Listing have been and will be utilized in accordance with the purpose set out in the A Share Prospectus. The table below sets out the planned applications of the net proceeds and actual usage up to June 30, 2021:

Use of proceeds from the A Share Listing	Percentage of net proceeds from the A Share Listing	Allocation of net proceeds as disclosed in the A Share Prospectus (RMB million)	Balance of the utilized amount from the A Share Listing (as at June 30, 2021) (RMB million)	Balance of the unutilized amount from the A Share Listing (as at June 30, 2021) (RMB million)	Actual and expected timeline for utilizing the remaining net proceeds from the A Share Listing ⁽¹⁾
Suzhou drug safety evaluation centre expansion project ⁽²⁾	34%	727.2	260.7	466.5	Expected to be fully utilized by December 31, 2021
Tianjin chemical R&D laboratory expansion and upgrade project ⁽³⁾	26%	564.0	333.2	230.8	Expected to be fully utilized by December 31, 2021
Expansion of Company's headquarter and analytical diagnostic service R&D centre	9%	200.0	200.0	—	Have been fully utilized as at May 31, 2018
Working capital uses	30%	639.1	639.1	—	Have been fully utilized as at December 31, 2018
Total⁽⁴⁾	100%	2,130.3	1,433.0	697.2	

Management Discussion and Analysis

Notes:

- (1) The expected timeline for utilizing the remaining proceeds is set based on the best estimation of the Company taking into account, among other factors, prevailing and future market conditions and business developments and needs, and therefore is subject to change.
- (2) As at June 30, 2021, the Suzhou drug safety evaluation centre expansion project is still under construction and is expected to be completed and fully utilized proceed from the A Share Listing by December 31, 2021.
- (3) As at June 30, 2021, the Tianjin chemical R&D laboratory expansion and upgrade project is still under construction and is expected to be completed and fully utilized proceed from the A Share Listing by December 31, 2021.
- (4) Any discrepancies in the sum of amounts listed in the table above with the breakdown of use of net proceeds in this interim report is due to rounding.

USE OF PROCEEDS FROM NON-PUBLIC ISSUANCE OF A SHARES

The total net proceeds from the non-public issuance of 62,690,290 A Shares by the Company to specific subscribers amounted to approximately RMB6,461.2 million and the balance of unutilized net proceeds from the Non-public Issuance of A Shares was approximately RMB2,530.7 million as at June 30, 2021.

The table below sets out the planned application of the net proceeds from the Non-public Issuance of A Shares and actual usage up to June 30, 2021:

Use of proceeds from the Non-public Issuance of A Shares	Percentage of net proceeds from the Non-public Issuance of A Shares	Allocation of net proceeds from the Non-public Issuance of A Shares (RMB million)	Balance of the utilized amount from the Non-public Issuance of A Shares (as at June 30, 2021) (RMB million)	Balance of the unutilized amount from the Non-public Issuance of A Shares (as at June 30, 2021) (RMB million)	Actual and expected timeline for utilizing the remaining net proceeds from the Non-public Issuance of A Shares ⁽¹⁾
Phase I new drug development services and drug manufacturing project of WuXi STA Pharmaceutical Co., Ltd.	11%	736.3	451.6	284.7	Expected to be fully utilized by August 31, 2022
Global research and development centre and ancillary facilities project of Shanghai STA Pharmaceutical Co., Ltd. (the "Shanghai STA Project")	8%	491.8	302.8	189.0	Expected to be fully utilized by August 31, 2022 ⁽²⁾

Use of proceeds from the Non-public Issuance of A Shares	Percentage of net proceeds from the Non-public Issuance of A Shares	Allocation of net proceeds from the Non-public Issuance of A Shares (RMB million)	Balance of the utilized amount from the Non-public Issuance of A Shares (as at June 30, 2021) (RMB million)	Balance of the unutilized amount from the Non-public Issuance of A Shares (as at June 30, 2021) (RMB million)	Actual and expected timeline for utilizing the remaining net proceeds from the Non-public Issuance of A Shares ⁽¹⁾
New drug manufacturing and research and development centre project of Changzhou SynTheAll Pharmaceutical Co., Ltd.	10%	660.6	456.3	204.3	Expected to be fully utilized by December 31, 2021
New drug manufacturing and research and development integrated project of Changzhou SynTheAll Pharmaceutical Co., Ltd.	28%	1,789.3	601.8	1,187.5	Expected to be fully utilized by August 31, 2022
Small molecule new drug manufacturing skill platform technical capability upgrade project of Shanghai STA Pharmaceutical R&D Co., Ltd.	5%	300.0	80.9	219.1	Expected to be fully utilized by September 30, 2022
Research and development platform technical capability upgrade project of WuXi AppTec (Shanghai) Co., Ltd.	9%	600.0	157.4	442.6	Expected to be fully utilized by September 30, 2022
Replenishing the working capital of the Company ⁽³⁾	29%	1,883.3	1,879.7	3.6	N/A
Total⁽⁴⁾	100%	6,461.2	3,930.6	2,530.7	

Notes:

- (1) The expected timeline for utilizing the remaining proceeds is set based on the best estimation of the Company taking into account, among other factors, prevailing and future market conditions and business developments and needs, and therefore is subject to change.
- (2) The expected date on which the Shanghai STA Project would have become completed and available for use was delayed from August 31, 2021 to August 31, 2022. Please refer to the relevant announcement of the Company dated August 13, 2021 for further details.
- (3) Replenishing the working capital is related to all the business activities of the company, so the expected timeline of full utilization is not estimated separately.
- (4) Any discrepancies in the sum of amounts listed in the table above with the breakdown of use of net proceeds in this interim report is due to rounding.

USE OF NET PROCEEDS FROM THE H SHARE LISTING

The total net proceeds from the issuance of H Shares by the Company in its Listing (after deducting the underwriting fees and related Listing expenses) amounted to approximately RMB7,032.6 million⁽¹⁾ and the balance of unutilized net proceeds amounted to approximately RMB495.9 million as at June 30, 2021.

The net proceeds from the Listing (adjusted on a pro rata basis based on the actual net proceeds) have been and will be utilized in accordance with the purposes set out in the Prospectus. The table below sets out the planned applications of the net proceeds and actual usage up to June 30, 2021:

Use of proceeds from the H Share Listing	Percentage of net proceeds from the H Share Listing	Original allocation of net proceeds from the H Share Listing (HKD million)	Original allocation of net proceeds from the H Share Listing (RMB million)	Revised allocation of net proceeds from the H Share Listing (RMB million) ⁽²⁾	Balance of utilized amount from the H Share Listing (as at June 30, 2021) (RMB million)	Balance of unutilized amount from the H Share Listing (as at June 30, 2021) (RMB million)	Expected timeline for utilizing the remaining balance of net proceeds from the H Share Listing ⁽³⁾
To expand our capacity and capabilities across all business units globally	37%	2,798.0	2,462.2	2,602.1	2,106.2	495.9	
— invest in PRC projects ⁽⁴⁾	22%	1,663.1	1,463.5	1,547.2	1,515.5	31.7	Expected to be fully utilized by December 31, 2021
— invest in U.S. projects ⁽⁵⁾	8%	570.1	501.7	562.6	562.6	—	Have been fully utilized as at December 31, 2020
— invest in Lingang Shanghai project ⁽⁶⁾	7%	564.8	497.0	492.3	28.1	464.2	Expected to be fully utilized by December 31, 2022
To fund the acquisition of CRO and CMO/CDMO companies	27%	2,000.0	1,759.9	1,863.6	1,863.6	—	Have been fully utilized as at December 31, 2019
To invest in our ecosystem	4%	300.0	264.0	281.3	281.3	—	Have been fully utilized as at June 30, 2019
To develop cutting-edge technology	3%	200.0	176.0	182.8	182.8	—	Have been fully utilized as at June 30, 2020
To repay our bank loans	20%	1,500.0	1,320.0	1,399.5	1,399.5	—	Have been fully utilized as at December 31, 2018
Working capital and general corporate uses	10%	755.3	664.6	703.3	703.3	—	Have been fully utilized as at June 30, 2019
Total⁽⁷⁾	100%	7,553.3	6,646.7	7,032.6	6,536.7	495.9	

Notes:

- (1) The total proceeds included approximately RMB6,969.6 million from the Global Offering in December 2018 and RMB316.3 million from the partial exercise of over-allotment option in January 2019 as disclosed in the announcement of the Company dated January 6, 2019. By excluding the underwriting fees and commissions and estimated expenses payable by the Company, the net proceeds planned for applications amount to approximately RMB7,032.6 million.
- (2) Net H Share Listing proceeds were received in Hong Kong dollar and translated to RMB for application planning. The plan was adjusted slightly due to the fluctuation of the foreign exchange rates since the Listing.
- (3) The expected timeline for utilizing the remaining proceeds is set based on the best estimation of the Company taking into account, among other factors, prevailing and future market conditions and business developments and needs, and therefore is subject to change.
- (4) Invest in seven PRC projects, including establishment of the Chengdu R&D campus, a manufacturing facility for viral vectors and plasmid DNA used in cell and gene therapy products in Wuxi, and a chemistry and biology labs in Qidong, Jiangsu Province, as well as development of nation-wide clinical trial sites and expansion of our SMO clinical research platform. As at June 30, 2021, 98.0% allocated net proceeds for the seven PRC projects have been utilized.
- (5) Invest in U.S. projects, including setting up a bioanalytical laboratory in San Diego, California and a cGMP manufacturing facility for commercialized cell and gene therapy products in the U.S. As at December 31, 2020, allocated net proceeds for US projects have been fully utilized.
- (6) Invest in Lingang Shanghai project, including building an innovation center in Lingang Shanghai of gene therapy product development services and enlarge services, replacing the original Hong Kong project of building a cell and gene therapy research laboratory. At the same time to extend the expected timeline of fully utilizing the net proceeds on Lingang Shanghai project to December 31, 2022. As at June 30, 2021, 5.7% allocated net proceeds have been utilized.
- (7) Any discrepancies in the sum of amounts listed in the table above with the breakdown of use of net proceeds in this interim report is due to rounding.

USE OF NET PROCEEDS FROM THE PLACING OF NEW H SHARES

The total net proceeds from the placing of new H Shares by the Company which completed on August 5, 2020 (after deducting the underwriting fees and related Listing expenses) amounted to approximately RMB6,558.5 million, and the balance of unutilized net proceeds was approximately RMB3,876.0 million as at the year ended June 30, 2021.

The table below sets out the planned applications of the net proceeds from the placing of new H Shares and the actual usage up to June 30, 2021:

Management Discussion and Analysis

Use of proceeds from the placing of new H Shares	Percentage of net proceeds from the placing of new H Shares	Allocation of net proceeds from the placing of new H Shares (HKD million)	Allocation of net proceeds from the placing of new H Shares (RMB million)	Balance of utilized amount from the placing of new H Shares (as at June 30, 2021) (RMB million)	Balance of unutilized amount from the placing of new H Shares (as at June 30, 2021) (RMB million)	Actual and expected timeline for utilizing the remaining balance of net proceeds from the placing of new H Shares ⁽¹⁾
Mergers and acquisitions including, but not limited to, expansion of the Group's presence in the US, Europe and Asia Pacific ⁽²⁾	35%	2,550.5	2,295.5	188.0	2,107.5	Expected to be fully utilized by December 31, 2023
Expansion of the Group's overseas operation	20%	1,457.5	1,311.7	262.4	1,049.3	Expected to be fully utilized by December 31, 2023
Construction of Changshu R&D Integrated Project	15%	1,093.1	983.8	264.5	719.3	Expected to be fully utilized by December 31, 2023
Repaying bank loans and other borrowings ⁽³⁾	10%	728.7	655.9	655.9	—	Have been fully utilized as at December 31, 2020
Replenish the working capital of the Company ⁽⁴⁾	20%	1,457.5	1,311.7	1,311.7	—	Have been fully utilized as at June 30, 2021
Total⁽⁵⁾	100%	7,287.3	6,558.5	2,682.5	3,876.0	

Notes:

- (1) The expected timeline for utilizing the remaining proceeds is set based on the best estimation of the Company taking into account, among other factors, prevailing and future market conditions and business developments and needs, and therefore is subject to change.
- (2) Use of proceeds for mergers and acquisitions project is due primarily to the merger of Nanjing Milestone Pharma Co. Ltd. and Shanghai Milestone Pharma Co. Ltd. as at the end of June 30, 2021.
- (3) Use of proceeds for repaying bank loans and other borrowings have been fully utilized as at December 31, 2020.

- (4) Use of proceeds for replenishing the working capital of the company have been fully utilized as at June 30, 2021.
- (5) Any discrepancies in the sum of amounts listed in the tables with the breakdown of use of net proceeds in this interim report is due to rounding.

THE CONVERTIBLE BONDS

On September 17, 2019, the Company issued US\$300 million zero coupon Convertible Bonds due 2024, convertible at the option of the holders thereof into fully paid ordinary H Shares of the Company of par value RMB1.0 each at the initial conversion price of HK\$111.8 per H Share. The Board considers that the issue of the Convertible Bonds represents an opportunity to obtain a pool of readily available funds that can better support business expansion of the Company in the long run.

Pursuant to the terms and conditions of the Bonds, the Conversion Price is subject to adjustment for, among other things, profit distributions and capitalization of reserves made by the Company. As disclosed in the announcement of the Company dated June 3, 2020, the Conversion Price of the Bonds was adjusted from HK\$111.80 per H Share, being the initial Conversion Price to HK\$79.85 per H Share as a result of the approval of the payment of the 2019 Profit Distribution and the 2019 Capitalization of Reserve by the Shareholders at the 2019 AGM which took effect from June 4, 2020.

The Company has distributed cash dividends for the year ended December 31, 2020 and conducted the 2020 Capitalization of Reserve. As a result of the approval of the payment of the 2020 Profit Distribution and the 2020 Capitalization of Reserve by the Shareholders at the 2020 annual general meeting of the Company with effect from June 8, 2021, the conversion price of the Bonds has been further adjusted to HK\$66.17 per H Share (the “**Further Adjusted Conversion Price**”) pursuant to the terms and conditions of the Bonds.

As at June 30, 2021, the principal amount of the Bonds which are outstanding is US\$154,900,000. Assuming full conversion of the outstanding Bonds at the Further Adjusted Conversion Price, the H Shares that may be convertible and issuable under the Bonds will be approximately 18,362,099 H Shares, representing 4.76% of the total issued H share capital of the Company as at June 30, 2021 and approximately 4.55% of the enlarged total issued H share capital of the Company resulting from the full conversion of the Bonds. The additional 3,145,817 H Shares issuable in the event of a full conversion of the outstanding Bonds at the Further Adjusted Conversion Price will be allotted and issued by the Company pursuant to the specific mandate sought and granted at the 2020 AGM. Please refer to the announcement of the Company dated June 7, 2021 and the circular of the Company dated April 9, 2021 for further details.

During the six months ended June 30, 2021, Convertible Bonds with a nominal value of USD145,100,000 (equivalent to RMB937,361,000) (December 31, 2020: Nil) have been converted to 15,370,559 H Shares (December 31, 2020: Nil) of the Company by the bond holders, in which 8,909,717 H Shares were allotted and issued by the Company at the adjusted Conversion Price of HK\$79.85; and 6,460,842 H Shares were allotted and issued by the Company at the Further Adjusted Conversion Price of HK\$66.17.

There had not been any redemption of the Convertible Bonds during the Reporting Period.

Management Discussion and Analysis

The following table sets out the shareholding structure of the Company upon full conversion of the outstanding Bonds at the Further Adjusted Conversion Price with reference to the shareholding structure of the Company as at June 30, 2021 and assuming no further issuance of Shares by the Company:

Shareholder	Class of Shares	As at June 30, 2021		Upon full conversion of the outstanding Bonds at the Further Adjusted Conversion Price of HK\$66.17 per H Share	
		Number of Shares	Approximate percentage of the total issued share capital (Note)	Number of Shares	Approximate percentage of the total issued share capital (Note)
The Founding Individuals	A	740,070,220	25.10%	740,070,220	24.94%
Sub total		740,070,220	25.10%	740,070,220	24.94%
Public Shareholders	A	1,823,474,482	61.83%	1,823,474,482	61.45%
	H	370,079,416	12.55%	370,079,416	12.47%
Subscribers of the Bonds	H	15,370,559	0.52%	33,732,658	1.14%
Sub total		2,208,924,457	74.90%	2,227,286,556	75.06%
Total		2,948,994,677	100%	2,967,356,776	100%

Note:

The approximate percentage of the total issued share capital are rounded to the nearest two decimal places and may not add up to 100% due to rounding.

For principal terms of the Bonds, please refer to the relevant announcements dated September 3, 2019, September 4, 2019, September 5, 2019 and September 17, 2019 published by the Company on the websites of the Shanghai Stock Exchange and the Stock Exchange. An analysis of the impact on the earnings per share if the outstanding Bonds were fully converted into H Shares of the Company as at June 30, 2021 is set out in Note 10 to the condensed consolidated financial statements in this interim report.

Use of Net Proceeds from the Issuance of the Bonds

The net proceeds raised from the Bonds, after the deduction of fees, commissions and expenses payable, being approximately US\$294 million (or approximately RMB2,079.5 million based on an exchange rate on the date of issue of the Bonds, being September 17, 2019), have been fully utilized by the Company as at June 30, 2021 for, among others, (i) mergers and acquisitions and business expansion; and (ii) working capital and general corporate purposes.

FUND RAISING

During the Reporting Period, there was no fund raising activity carried out by the Company.

RESULTS AND DIVIDENDS

The Group's profit for the Reporting Period and the state of affairs of the Group as at June 30, 2021 are set out in the interim condensed consolidated financial statements and the accompanying notes on pages 74 to 137.

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Repurchase and cancellation of part of the Restricted A Shares granted under the 2018 A Share Incentive Plan

Due to (i) the departure of 39 incentive participants of the 2018 A Share Incentive Plan before the expiry of the lock-up period; (ii) a total of 4 incentive participants being unable to satisfy the performance appraisal target at the individual level for 2020; and (iii) the implementation of the 2020 Profit Distribution Plan, the Company shall repurchase a total of 184,089 Restricted A Shares granted under the initial grant of the 2018 A Share Incentive Plan at the repurchase price of RMB18.69 per A Share after relevant adjustments to the repurchase price, and repurchase a total of 25,200 Restricted A Shares granted under the 2018 Reserved Grant at the repurchase price of RMB18.85 per A Share after relevant adjustments to the repurchase price. Please refer to the relevant announcement of the Company dated June 25, 2021 for further details.

Repurchase and cancellation of part of the Restricted A Shares granted under the 2019 A Share Incentive Plan

Due to (i) the departure of 54 Incentive Participants before the expiry of the lock-up period for the Initial Grant; (ii) 6 Incentive Participants being unable to satisfy the performance appraisal target at 2020; and (iii) the implementation of the 2020 Profit Distribution Plan, the Company shall repurchase a total of 461,550 Restricted A Shares granted under the Initial Grant of the 2019 A Share Incentive Plan at the repurchase price of RMB18.85 per A Share after relevant adjustments to the repurchase price, and repurchase a total of 20,160 Restricted A Shares granted under the 2019 Reserved Grant at the repurchase price of RMB33.55 per A Share after relevant adjustments to the repurchase price. Please refer to the relevant announcement of the Company dated June 25, 2021 for further details.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association, or the laws of the PRC, which would oblige the Company to offer new shares on a pro-rata basis to its existing Shareholders.

DIRECTORS

As at the end of the Reporting Period, the Board was constituted by 12 Directors, of which 5 are executive Directors, 2 are non-executive Directors and 5 are independent non-executive Directors. The Directors are as follows:

Executive Directors

Dr. Ge Li (李革) (*Chairman and Chief Executive Officer*)
Mr. Edward Hu (胡正國) (*Vice Chairman and Global Chief Investment Officer*)
Dr. Steve Qing Yang (楊青) (*Co-chief Executive Officer*)
Mr. Zhaohui Zhang (張朝暉)
Dr. Ning Zhao (趙寧)

Non-executive Directors

Mr. Xiaomeng Tong (童小蒙)
Dr. Yibing Wu (吳亦兵)

Independent Non-executive Directors

Dr. Jiangnan Cai (蔡江南)
Ms. Yan Liu (劉艷)
Mr. Dai Feng (馮岱)
Dr. Hetong Lou (婁賀統)
Mr. Xiaotong Zhang (張曉彤)

Supervisors

As at the end of the Reporting Period, the Supervisors are as follows:

Mr. Harry Liang He (賀亮)
Mr. Baiyang Wu (吳柏楊)
Ms. Minfang Zhu (朱敏芳)

CHANGE OF INFORMATION OF DIRECTORS AND SUPERVISORS

Changes in information of the Directors since the publication of the annual report of the Company for the year ended December 31, 2020 which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out below:

- (1) Mr. Edward Hu ceased to be a non-executive director of WuXi Biologics with effect from June 16, 2021, a company listed on the Main Board of Hong Kong Stock Exchange (stock code: 2269).
- (2) Dr. Ning Zhao was appointed as a non-executive director of WuXi Biologics with effect from June 16, 2021, a company listed on the Main Board of Hong Kong Stock Exchange (stock code: 2269).
- (3) Dr. Yibing Wu ceased to be a senior managing director of Temasek International Pte. Ltd..
- (4) Ms. Yan Liu ceased to be an independent director of Huaxin Cement Co., Ltd (華新水泥股份有限公司) with effect from April 27, 2021, a company listed on the Shanghai Stock Exchange (stock code: 600801).
- (5) Mr. Xiaotong Zhang ceased to be an independent director of Limin Chemical Co., Ltd (利民化工股份有限公司) with effect from April 19, 2021, a company listed on the Shenzhen Stock Exchange (stock code: 002734).
- (6) Mr. Xiaotong Zhang ceased to be an independent director of CTS (Dengfeng) Songshan Shaolin Culture Tourism Co., Ltd (港中旅(登封)嵩山少林文化旅遊有限公司) with effect from April 12, 2021.
- (7) The annual allowance of Dr. Jiangnan Cai, Ms. Yan Liu, Mr. Dai Feng, Dr. Hetong Lou, and Mr. Xiaotong Zhang has been increased from RMB300,000 (before tax) per year to RMB400,000 (before tax) per year with effect from May 13, 2021.

Save as disclosed above, there is no other information which was required to be disclosed by the Directors and Supervisors pursuant to Rule 13.51B(1) of the Listing Rules.

SHARE INCENTIVE SCHEMES

The Group's share incentive schemes effective during the Reporting Period are as follows:

1. 2019 A Share Incentive Plan

In order to establish and improve the long-term incentive mechanism of the Company, attract and retain talents, fully motivate the core personnel of the Company and effectively integrate the interests of the Shareholders, the Company and core team members so that the parties will make joint efforts for the sustainable development of the Company, on September 20, 2019, the Shareholders' meeting of the Company passed a resolution to approve the adoption of the 2019 A Share Incentive Plan, pursuant to which the Company may issue up to 21,055,530 units of Restricted A Shares or Share Options of the Company. The total participants of the 2019 A Share Incentive Plan is 2,467, including the Directors, members of the senior-level management (including senior management), mid-level managers and backbone members of our technicians and basic level managers and other technicians. On November 25, 2019, 13,400,273 Restricted A Shares of the Company were approved for 2,008 eligible employees to subscribe at the price of RMB32.44 per A Share, including 124,443 Restricted A Shares granted as special grant to one eligible employee which are subjected to different conditions and restrictions. 5,039,904 Share Options were approved for 460 eligible employees which can be exercised at the price of RMB64.88 per A Share (the "**Initial Grant**"). Please refer to the relevant announcement of the Company dated November 25, 2019 for further details. On June 10, 2020, 427,000 Restricted A Shares of the Company were approved for 18 eligible employees to subscribe at the price of RMB40.59 per share. 29,131 Share Options were approved for 1 eligible employee which can be exercised at the price of RMB81.17 per A Share (the "**Reserved Grant**"). Please refer to the relevant announcement of the Company dated June 10, 2020 for further details.

On May 15, 2020, the Shareholders' meeting approved to capitalize 4 ordinary Shares for every 10 Shares by way of capitalization of reserve and approved the distribution of RMB3.37 for every 10 Shares based on the total issued Shares of the Company. As a result, (i) the repurchase number and the repurchase price of the Restricted A Shares granted under the Initial Grant, (ii) the exercise price and number of Share Options granted under the Initial Grant, and (iii) the number of reserve interests under the 2019 A Share Incentive Plan have been adjusted to reflect the capitalization of reserve and dividend distribution.

On May 13, 2021, the Shareholders' meeting approved to capitalize 2 ordinary Shares for every 10 Shares by way of capitalization of reserve and approved the distribution of RMB3.63 for every 10 Shares based on the total issued Shares of the Company. As a result, (i) the repurchase number and the repurchase price of the Restricted A Shares granted under the Initial Grant, (ii) the exercise price and number of Share Options granted under the Initial Grant, and (iii) the repurchase number and the repurchase price of the Restricted A Shares granted under the Reserved Grant of the 2019 A Share Incentive Plan have been adjusted to reflect the capitalization of reserve and dividend distribution.

As at June 30, 2021, the total number of Shares available for issue under the 2019 A Share Incentive Plan was 5,485,682 (options had been granted and were outstanding), representing approximately 0.19% of the Shares in issue as at June 30, 2021.

The validity period of the 2019 A Share Incentive Plan shall commence from the date of Initial Grant of the Restricted A Shares to the date on which all the Restricted A Shares granted are unlocked or repurchased and cancelled and all the Share Options are exercised or otherwise cancelled subject to a maximum of 66 months.

The Initial Grant of the Share Option is valid from the date on which the Share Options is granted under the Initial Grant to the date on which all the options granted to the participants under the Initial Grant have been vested or cancelled, but in any event shall not be more than 54 months. The withholding period of each tranche of the Share Options granted under the Initial Grant shall be 18, 30 and 42 months from the date of the Initial Grant, respectively. Subject to fulfillment of the conditions as set out in the rules of the 2019 A Share Incentive Plan, the vesting periods (each a “**Vesting Period**”) and arrangements of each tranche of the Share Options granted under the Initial Grant are as follows:

	Vesting Period	Proportion of vesting
First Vesting Period	From the first trading day after 18 months from the date of the Initial Grant to the last trading day within 30 months from the date of the Initial Grant	40%
Second Vesting Period	From the first trading day after 30 months from the date of the Initial Grant to the last trading day within 42 months from the date of the Initial Grant	30%
Third Vesting Period	From the first trading day after 42 months from the date of the Initial Grant to the last trading day within 54 months from the date of the Initial Grant	30%

Statutory Disclosures

The validity period of the Share Options under the Reserved Grant shall be from the date of grant of the Share Options under the Reserved Grant to the date on which the reserved Shares Options granted to the participants are all exercised or otherwise cancelled, which shall not be longer than 54 months. The conditions for the grant of the reserved interests, the unlocking and exercise of the reserved Restricted A Shares and reserved Share Options shall follow that of Share Options granted under the Initial Grant, in addition to certain performance indicators as set out in the rules of the 2019 A Share Incentive Plan. The Vesting Periods and arrangements of each tranche of the reserved Share Options granted under the Reserved Grant are as follows:

	Vesting Period	Proportion of vesting
First Vesting Period	From the first trading day after 18 months from the date of the Reserved Grant to the last trading day within 30 months from the date of the Reserved Grant	40%
Second Vesting Period	From the first trading day after 30 months from the date of the Reserved Grant to the last trading day within 42 months from the date of the Reserved Grant	30%
Third exercisable period	From the first trading day after 42 months from the date of the Reserved Grant to the last trading day within 54 months from the date of the Reserved Grant	30%

Such options shall only be exercised by the participants within the Vesting Period.

The exercise price of the Share Options under the Initial Grant is RMB64.88 per Share and shall not be lower than the par value of the Shares, and shall not be lower than the highest of the following:

- (1) the average trading price of the Company's A Shares on the trading day preceding the date of announcement of the 2019 A Share Incentive Plan (total trading amount/total trading volume on the preceding trading day), i.e. RMB64.88 per Share;
- (2) the average trading price of the Company's A Shares for the last 60 trading days preceding the date of announcement of the 2019 A Share Incentive Plan (total trading amount for the last 60 trading days/total trading volume traded on the last 60 trading days), i.e. RMB60.56 per Share.

The exercise price of the Share Options under the Initial Grant has been adjusted from RMB64.88 to RMB46.34 as a result of the 2019 Profit Distribution and 2019 Capitalization of Reserve approved by the Shareholders at the 2019 annual general meeting of the Company with effect from June 4, 2020. The exercise price of the Share Options under the Initial Grant has been further adjusted from RMB46.34 to RMB38.62 as a result of the 2020 Profit Distribution and 2020 Capitalization of Reserve approved by the Shareholders at the 2020 annual general meeting of the Company with effect from June 8, 2021.

The exercise price of the Share Options under the Reserved Grant is RMB81.17 and shall not be lower than the par value of the A Shares, and shall be the higher of the following:

- (1) the average trading price of the A Shares of the Company for the last trading day preceding the date of announcement of the board resolution on the Reserved Grant under the 2019 A Share Incentive Plan (total trading amount/total trading volume on the preceding trading day);
- (2) the average trading price of the A Shares of the Company for the last 20, 60 or 120 trading days preceding the date of announcement of the board resolution on the Reserved Grant under the 2019 A Share Incentive Plan (total trading amount for the last 20, 60 or 120 trading days/total trading volume traded on the last 20, 60 or 120 trading days).

Fair value of the Share Options

The Company selected the Black-Scholes Model to calculate the fair value of Share Options under the 2019 A Share Incentive Plan, the specific calculating methods and results of fair value of each Share Option are as follows:

The fair value and corresponding inputs into the model were as follows:

	Share Options Granted under the 2019 A Share Incentive Plan
Grant date A Share price (RMB)	89.90
Subscribe price (RMB)	64.88
Expected volatility	43.44%–45.85%
Expected life (years)	1.5–4.5
Risk-free interest rate	2.81%–2.91%
Dividend yield rate	0.95%

Statutory Disclosures

Set out below are details of the movements of the outstanding Restricted A Shares and Share Options granted under the 2019 A Share Incentive Plan throughout the Reporting Period.

	Outstanding at January 1, 2021	Granted during the Reporting Period	Unlocked and commenced trading during the Reporting Period	Cancelled during the Reporting Period	Capitalization during the Reporting Period	Outstanding at June 30, 2021
Restricted A Shares						
Mr. Edward Hu	175,000	—	84,000	—	35,000	126,000
Ms. Wendy J. Hu ⁽¹⁾	27,300	—	13,104	—	5,460	19,656
Dr. Steve Qing Yang	161,000	—	77,280	—	32,200	115,920
Employees	17,516,178	—	8,120,498	—	3,496,278	12,891,958
Sub-total	17,879,478	—	8,294,882	—	3,568,938	13,153,534
	Outstanding at January 1, 2021	Granted during the Reporting Period	Exercised during the Reporting Period	Cancelled during the Reporting Period	Capitalization during the Reporting Period	Outstanding at June 30, 2021
Share Options						
Employees	6,296,640	—	1,714,578	296,394	1,200,014	5,485,682
Sub-total	6,296,640	—	1,714,578	296,394	1,200,014	5,485,682
Total	24,176,118	—	10,009,460	296,394	4,768,952	18,639,216

Note:

(1) Ms. Wendy J. Hu is the spouse of Mr. Edward Hu.

2. 2019 Share Appreciation Scheme

On September 20, 2019, the 2019 Share Appreciation Scheme was approved at the Shareholders' meeting. On September 30, 2019, the Company granted 2,901,172 share appreciation rights (representing approximately 0.1771% of the total share capital of the Company as at the date of the announcement of the proposed adoption of the 2019 Share Appreciation Scheme) to a total of 234 incentive participants, being the senior level management, mid-level managers and backbone members of the technicians, basic level managers and other technicians who have employment or labor service relationships with the Company or its subsidiaries overseas under the 2019 Share Appreciation Scheme at the exercise price of HK\$72.00 per unit. Each of the share appreciation rights under the 2019 Share Appreciation Scheme is notionally linked to one H Share, and will confer the right to gain specified amount of benefits in cash from the increase in market price of the relevant H Shares.

As disclosed in the Company's announcement dated June 10, 2020, following the implementation of the 2019 Profit Distribution Plan on June 4, 2020, the number of share appreciation rights by the Company was adjusted from 2,901,172 units to 4,061,639 units and the exercise price was adjusted from HK\$72.00 per unit to HK\$51.43 per unit.

Following the implementation of the 2020 Profit Distribution Plan on June 8, 2021, 2 new Shares were issued for every existing 10 Shares held by the Shareholders on June 7, 2021 (being the relevant record date) and a cash dividend of RMB3.63 (inclusive of tax) for every 10 Shares was distributed to the Shareholders. As a result, the number of the share appreciation rights granted by the Company have been adjusted from 1,707,792 units to 2,049,342 units and the exercise price of which have been adjusted from HK\$51.43 per unit to HK\$42.86 per unit accordingly. Please refer to the relevant announcement of the Company dated June 25, 2021 for further details.

The 2019 Share Appreciation Scheme does not involve any grant of Share Options which will require the Company (or any of its subsidiaries) to issue any new shares or other new securities and is therefore not subject to or governed by Chapter 17 of the Listing Rules.

The 2019 Share Appreciation Scheme is valid from the date of grant of share appreciation rights to the date of completion of exercise of all share appreciation rights, which shall not be longer than 48 months. The vesting and exercise arrangement of the 2019 Share Appreciation Scheme is as follows:

	Vesting Schedule	Exercise Period	Exercise Percentage
First batch of exercise	May 31, 2020	From June 1, 2020 to May 31, 2021	40%
Second batch of exercise	May 31, 2021	From June 1, 2021 to May 31, 2022	30%
Third batch of exercise	May 31, 2022	From June 1, 2022 to May 31, 2023	30%

Statutory Disclosures

Set out below are details of the movements of the outstanding units granted under the 2019 Share Appreciation Scheme throughout the Reporting Period:

	Outstanding at January 1, 2021	Cancelled before the 2020 Capitalization of Reserve	Exercised before the 2020 Capitalization of Reserve	Adjustment due to the 2020 Capitalization of Reserve	Cancelled after the 2020 Capitalization of Reserve	Exercised after the 2020 Capitalization of Reserve	Outstanding at June 30, 2021
2019 Share Appreciation Scheme	2,218,433	140,182	388,874	337,875	12,683	357,418	1,657,151

3. 2018 A Share Incentive Scheme

In order to establish and improve long-term corporate incentive systems of the Company, attract and retain talent, fully mobilize the motivation of management members and technicians and effectively tying the interests of our Shareholders, the Company and the management of the Company and enabling the respective parties to become aware of the Company's long-term development, and to promote the realization of the development strategies of the Company, on August 22, 2018, the Shareholders' meeting of the Company passed a resolution to issue up to 8,856,900 A Shares of the Company under the 2018 A Share Incentive Plan. The total participants of the 2018 A Share Incentive Plan is 1,528, including the Directors, members of the senior-level management (including senior management), mid-level managers and backbone members of our technicians and basic-level managers and other technicians. On August 28, 2018, 7,085,500 Restricted A Shares of the Company were approved for 1,528 eligible employees to subscribe at the price of RMB45.53 per A Share. Please refer to the relevant announcement of the Company dated August 28, 2018 for further details. On July 19, 2019, 542,017 Restricted A Shares of the Company were approved to be granted to 21 eligible employees and 287,000 Share Options were approved to be granted to 2 eligible employees. Please refer to the relevant announcement of the Company dated July 19, 2019 for further details.

On June 3, 2019, the Shareholders' meeting approved to capitalize 4 ordinary Shares for every 10 Shares by way of capitalization of reserve and approved the distribution of RMB5.80 and for every 10 Shares based on the total issued Shares of the Company as of April 15, 2019. As a result, the number of Restricted A Shares and exercise price per share granted under the 2018 A Share Incentive Plan presented herein have been adjusted to reflect the capitalization of reserve and dividend distribution.

On May 15, 2020, the Shareholders' meeting approved to capitalize 4 ordinary Shares for every 10 Shares by way of capitalization of reserve and approved the distribution of RMB3.37 for every 10 Shares based on the total issued Shares of the Company. As a result, the number of Restricted A Shares and exercise price per share granted under the 2018 A Share Incentive Plan presented herein have been adjusted to reflect the capitalization of reserve and dividend distribution.

On May 13, 2021, the Shareholders' meeting approved to capitalize 2 ordinary Shares for every 10 Shares by way of capitalization of reserve and approved the distribution of RMB3.63 for every 10 Shares based on the total issued Shares of the Company. As a result, the number of Restricted A Shares and exercise price per share granted under the 2018 A Share Incentive Plan presented herein have been further adjusted to reflect the capitalization of reserve and dividend distribution.

As at June 30, 2021, the total number of Shares available for issue under the 2018 A Share Incentive Plan was 289,296 (options had been granted and were outstanding), representing approximately 0.01% of the Shares in issue as at June 30, 2021.

The validity period of the 2018 A Share Incentive Plan shall commence from the date on which all the Restricted A Shares granted thereunder have been unlocked or cancelled, or all of the Share Options granted thereunder have been exercised or cancelled, subject to a maximum of 60 months.

The Share Options granted under the 2018 A Share Incentive Plan are valid from the date of the grant to the date on which they have been unlocked, exercised or canceled, but in any event not be more than 48 months. Subject to fulfillment of the conditions as set out in the rules of the 2018 A Share Incentive Plan, the exercisable periods and arrangements of each tranche of such Share Options are as follows:

	Vesting Period	Proportion of vesting
First vesting period	From the first trading day after 12 months from the date of the grant to the last trading day within 24 months from the date of the grant	40%
Second vesting period	From the first trading day after 24 months from the date of the grant to the last trading day within 36 months from the date of the grant	30%
Third vesting period	From the first trading day after 36 months from the date of the grant to the last trading day within 48 months from the date of the grant	30%

Such options shall only be exercised by the Participants within the Vesting Period.

The exercise price of the Share Options under the 2018 A Share Incentive Plan is RMB64.88 and shall not be lower than the par value of the Shares, and shall not be lower than the highest of the following:

- (1) the average trading price of the A Shares of the Company for the last trading day preceding the date of announcement of the board resolution on the Reserved Grant under the 2018 A Share Incentive Plan (total trading amount/total trading volume on the preceding trading day);
- (2) the average trading price of the A Shares of the Company for the last 20, 60 or 120 trading days preceding the date of announcement of the board resolution on the Reserved Grant under the 2018 A Share Incentive Plan (total trading amount for the last 20, 60 or 120 trading days/total trading volume traded on the last 20, 60 or 120 trading days).

The exercise price of the share options granted under the 2018 A Share Incentive Plan has been adjusted from RMB64.88 to RMB46.34 as a result of the 2019 Profit Distribution and 2019 Capitalization of Reserve approved by the Shareholders at the 2019 annual general meeting of the Company with effect from June 4, 2020. The exercise price of the share options granted under the 2018 A Share Incentive Plan has been further adjusted from RMB46.34 to RMB38.62 as a result of the 2020 Profit Distribution and 2020 Capitalization of Reserve approved by the Shareholders at the 2020 AGM with effect from June 8, 2021.

Fair value of the Share Options

The Company selected the Black-Scholes Model to calculate the fair value of Share Options under the 2018 A Share Incentive Plan, the specific calculating methods and results of fair value of each Share Option are as follows:

The fair value and corresponding inputs into the model were as follows:

	Share Options Granted under the 2018 A Share Incentive Plan
Grant date A Share price (RMB)	86.70
Subscribe price (RMB)	64.88
Expected volatility	43.23%–47.09%
Expected life (years)	2–4
Risk-free interest rate	2.70%–2.86%
Dividend yield rate	0.95%

Set out below are details of the movements of the outstanding Restricted A Shares granted under the 2018 A Share Incentive Scheme as at June 30, 2021:

	Outstanding at January 1, 2021	Granted during the Reporting Period	Capitalization during the Reporting Period	Unlocked and commenced trading during the Reporting Period	Cancelled during the Reporting Period	Outstanding at June 30, 2021
Restricted A Shares						
Mr. Edward Hu	107,016	—	10,702	53,508	—	64,210
Ms. Wendy J. Hu ⁽¹⁾	15,876	—	1,588	7,938	—	9,526
Dr. Steve Qing Yang	76,204	—	7,620	38,102	—	45,722
Employees	7,004,632	—	711,770	3,445,722	—	4,270,680
Sub-total	7,203,728	—	731,680	3,545,270	—	4,390,138
	Outstanding at January 1, 2021	Granted during the Reporting Period	Capitalization during the Reporting Period	Exercised during the Reporting Period	Cancelled during the Reporting Period	Outstanding at June 30, 2021
Share Options						
Mr. Ellis Bih-Hsin Chu	245,000	—	29,400	98,000	—	176,400
Employees	94,080	—	18,816	—	—	112,896
Sub-total	339,080	—	48,216	98,000	—	289,296
Total	7,542,808	—	779,896	3,643,270	—	4,679,434

Note:

(1) Ms. Wendy J. Hu is the spouse of Mr. Edward Hu.

4. STA Share Units and Options Incentive Scheme

STA has also adopted different employee incentive schemes to provide incentives for its eligible employees including the directors (excluding independent directors), supervisors and members of the senior management, members of the mid-level management and core technicians (operation staff) since 2015. STA Group has established equity-settled share units and options incentive schemes including the (i) STA Share Option Incentive Scheme (2015); (ii) STA Overseas Employees Incentive Scheme and (iii) STA Share Option Incentive Scheme (2016). None of the eligible STA employees are the chief executives or Directors of the Company.

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On September 13, 2017, the STA Shareholders' meeting approved to capitalize 20 ordinary STA Shares for every 10 STA Shares standing to the credit of the share premium account of STA (the "Conversion of Capital Reserve"). In May 2017 and April 2018, the distribution of RMB10.0 and RMB3.5 for every 10 STA Shares was approved at the STA Shareholders' meetings, respectively. As a result of the Conversion of Capital Reserve and dividend adjustment, the total number of STA Shares granted under the STA Share Option Incentive Scheme (2015), STA Overseas Employees Incentive Scheme and STA Share Option Incentive Scheme (2016) to eligible employees including the directors (excluding independent directors), supervisors and members of the senior management, members of the mid-level management and core technicians (operation staff) were 16,200,000, 6,516,843 and 1,525,140, respectively. The exercise prices of the STA Shares under the STA Share Option Incentive Scheme (2015), STA Overseas Employees Incentive Scheme and STA Share Option Incentive Scheme (2016) upon the Conversion of Capital Reserve and dividend adjustment were RMB8.00, RMB1.78 and RMB8.00, respectively, which were determined by based on STA's operations, value of assets, contribution of its employees and the intended level of employee incentive to be provided as adjusted by Conversion of Capital Reserve and dividend adjustment.

Options granted under the STA Share Option Incentive Scheme (2015), STA Overseas Employees Incentive Scheme and STA Share Option Incentive Scheme (2016) shall have a contractual term of 10 years and vest over a four-year period, with 20%, 20%, 20% and 40% of total options vesting on the first, second, third and fourth anniversary date two years after the vesting commencement date upon meeting certain annual performance conditions.

Set out below are details of the movements of the outstanding units and options granted under the STA Share Units and Options Incentive Scheme throughout the Reporting Period:

STA Share Units and Options Incentive Scheme	Outstanding at January 1, 2021	Granted during the period	Exercised during the period	Forfeited during the period	Outstanding at June 30, 2021
STA Overseas Employees Incentive Scheme — 2nd batch	166,043	—	—	—	166,043
STA Overseas Employees Incentive Scheme — 3rd batch	192,000	—	—	—	192,000
STA Share Option Incentive Scheme (2016) — 1st batch	167,040	—	—	(7,200)	159,840
STA Share Option Incentive Scheme (2016) — 2nd batch	233,136	—	—	(11,772)	221,364
Total	758,219	—	—	(18,972)	739,247
Exercisable at the end of the period	—				—
Weighted average exercise price	RMB5.07	N/A	N/A	N/A	RMB4.99

5. STA Share Appreciation Incentive Scheme

On May 16, 2016 and July 12, 2017, the STA Share Appreciation Incentive Scheme (2016) and the STA Share Appreciation Incentive Scheme (2017) were approved at the STA Shareholders' meeting. As a result of the Conversion of Capital Reserve, the total number of STA units granted under the STA Share Appreciation Incentive Scheme (2016) and the STA Share Appreciation Incentive Scheme (2017) to directors (excluding independent directors), supervisors and members of the senior management and core technicians (operation staff) were 1,350,000 and 123,000 respectively. Stock appreciation rights have been awarded in units, with each unit representing the value of one STA Share. Upon the exercise of stock appreciation rights, exercising recipients will receive payments in RMB from STA, subject to any withholding tax, equal to the number of stock appreciation rights exercised times the difference between the subscription price and market price of the STA Shares on the exercise day. The exercise prices of the STA Share Appreciation Incentive Scheme (2016) and the STA Share Appreciation Incentive Scheme (2017) upon the Conversion of Capital Reserve and dividend adjustment were RMB8.00 and RMB8.00, respectively, which were determined by based on STA's operations, value of assets, contribution of its employee and the intended level of employee incentive to be provided.

Units granted under the STA Share Appreciation Incentive Scheme shall have a contractual term of 10 years and generally vest over a four-year period, with 20%, 20%, 20% and 40% of total options vesting on the first, second, third and fourth anniversary date two years after the vesting commencement date.

Set out below are details of the movements of the outstanding units granted under the STA Share Appreciation Incentive Scheme throughout the Reporting Period:

	Outstanding at January 1, 2021	Granted during the period	Exercised during the period	Forfeited during the period	Outstanding at June 30, 2021
STA Share Appreciation Incentive Scheme					
STA Share Appreciation Incentive Scheme (2016)					
— 1st batch	216,000	—	(216,000)	—	—
— 2nd batch	54,000	—	—	—	54,000
STA Share Appreciation Incentive Scheme (2017)	27,000	—	—	—	27,000
Total	297,000	—	(216,000)	—	81,000
Exercisable at the end of the period	—				—
Weighted average exercise price	RMB8.00	N/A	RMB8.00	N/A	RMB8.00

6. H Share Award and Trust Scheme

In order to attract, motivate and retain skilled and experienced personnel to strive for the future development and expansion of the Group, the Board has considered and approved, on July 21, 2020, a resolution to adopt the H Share Award and Trust Scheme. The Scheme Limit shall be the maximum number of H Shares that will be acquired by the Trustee through on-market transactions from time to time at the prevailing market price with funds in the amount of not more than HK\$700 million. The Board or the Delegatee may grant Awards to Selected Participants during the Award Period conditional upon fulfilment of terms and conditions of the Awards and performance targets as the Board or the Delegatee determines from time to time. Eligible employee who may participate in the H Share Award and Trust Scheme include any individual, being a Director, supervisor, senior management, mid-level manager, basic-level manager, backbone member of the technicians, other technician, who is a full-time PRC or non-PRC employee of any members of the Group. The Company has granted Awards in an aggregate value of HK\$41,923,641.00 to 12 Connected Selected Participants including, Dr. Ge Li, Mr. Edward Hu, Dr. Steve Qing Yang, Mr. Zhaohui Zhang, Dr. Ning Zhao, Mr. Ellis Bih-Hsin Chu, Dr. Minzhang Chen, Dr. Shuhui Chen, Mr. Harry Liang He, Ms. Minfang Zhu, Ms. Wendy J. Hu and Ms. Cuiping Hu. The adoption of the H Share Award and Trust Scheme and the grant of Awards to the Connected Selected Participants has been approved by the Shareholders at the extraordinary general meeting of the Company held on August 31, 2020. Details of which are set out in the announcements of the Company dated July 21, 2020 and August 31, 2020, and the circular of the Company dated August 12, 2020.

Due to the resignation of 96 Selected Participants (which comprise 95 Independent Selected Participants and 1 Connected Selected Participants) over the course of the Reporting Period which led to the forfeiture of the Awards in an aggregate value of HK\$25,521,807 granted to them pursuant to the rules of the H Share Award and Trust Scheme, as at June 30, 2021, Awards in an aggregate value of HK\$594,066,143 have been granted to 2,348 Selected Participants (including the Connected Selected Participants), and the number of Award Shares underlying the relevant Awards represents 6,325,452 H Shares, accounting for approximately 1.6411% of the total number of issued H Shares and approximately 0.2145% of the total issued share capital of the Company as at June 30, 2021 (the “**Grant**”). The number of Award Shares underlying the Awards granted to the Connected Selected Participants represents 444,712 H Shares, accounting for approximately 0.1154% of the total number of issued H Shares and approximately 0.0151% of the total issued share capital of the Company as at June 30, 2021. As no new Shares will be issued by the Company pursuant to the Grant, it will not result in any dilution effect on the shareholdings of existing Shareholders.

The Directors (including the independent non-executive Directors) are of the view that the grant of Awards to the Selected Participants (including the Connected Selected Participants) is conducted on normal commercial terms, and is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Selected Participants Under The Grant

Following the abovementioned resignation of 95 Independent Selected Participants and 1 Connected Selected Participants over the course of the Reporting Period, as at June 30, 2021, there are a total of 2,348 Selected Participants under the Grant, which comprise 11 Connected Selected Participants and 2,337 Independent Selected Participants. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Independent Selected Participants are parties not connected with the Company within the meaning of the Listing Rules. The details of the Selected Participants with Awards made under the Grant as at June 30, 2021 are set out as follows:

Name	Position	Value of the Award (Note 1)	Number of Award Shares underlying the Award (Note 2)	Approximate percentage to the total number of H Shares as at June 30, 2021	Approximate percentage to the total issued share capital of the Company as at June 30, 2021
Connected Selected Participants					
Dr. Ge Li	Executive Director, chairman and chief executive officer	HK\$11,991,574.00	127,738 H Shares	0.0331%	0.0043%
Mr. Edward Hu	Executive Director, vice chairman and global chief investment officer	HK\$5,995,787.00	63,868 H Shares	0.0166%	0.0022%
Dr. Steve Qing Yang	Executive Director, co-chief executive officer	HK\$5,995,787.00	63,868 H Shares	0.0166%	0.0022%
Mr. Zhaohui Zhang	Executive Director, vice president	HK\$2,664,794.00	28,386 H Shares	0.0074%	0.0010%
Dr. Ning Zhao	Executive Director, vice president	HK\$2,664,794.00	28,386 H Shares	0.0074%	0.0010%
Mr. Ellis Bih-Hsin Chu	Chief financial officer	HK\$2,664,794.00	28,386 H Shares	0.0074%	0.0010%
Dr. Minzhang Chen	Vice president	HK\$3,997,191.00	42,579 H Shares	0.0110%	0.0014%
Dr. Shuhui Chen	Vice president	HK\$3,997,191.00	42,579 H Shares	0.0110%	0.0014%
Mr. Harry Liang He	Chairman of the Supervisory Committee	HK\$888,265.00	9,462 H Shares	0.0025%	0.0003%
Ms. Minfang Zhu	Employee representative Supervisor	HK\$296,088.00	3,153 H Shares	0.0008%	0.0001%
Ms. Wendy J. Hu*	Senior director of human resources	HK\$592,176.00	6,307 H Shares	0.0016%	0.0002%
Sub-total		HK\$41,748,441.00	444,712 H Shares	0.1154%	0.0151%
Independent Selected Participants					
2,337 senior management, mid-level managers, basic level managers, backbone members of technicians and other technicians		HK\$552,317,702.00	5,880,740 H Shares	1.5257%	0.1994%
Sub-total		HK\$552,317,702.00	5,880,740 H Shares	1.5257%	0.1994%
Total		HK\$594,066,143.00	6,325,452 H Shares	1.6411%	0.2145%

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Note 1: The number of Award Shares underlying the Award is fixed based on the number of Award Shares acquired by the Trustee through on-market transactions from time to time at prevailing market price and apportioned to the corresponding value of the relevant Award based on the volume-weighted average price at the Trustee acquired such Award Shares pursuant to the H Share Award and Trust Scheme.

Note 2: The number of Award Shares underlying the relevant Awards has been enlarged following the implementation of the 2020 Profit Distribution Plan on June 8, 2021 under which 2 2020 Capitalization Shares were issued for every existing 10 Shares held by the Shareholders on June 7, 2021 (being the relevant record date) by way of capitalization of reserve.

* *Ms. Wendy J. Hu is the spouse of Mr. Edward Hu.*

Vesting schedule

The vesting periods of the Awards under the Grant are as follows:

	Vesting Periods	Proportion of Vesting
First vesting period	From December 2, 2021 to December 1, 2022	25%
Second vesting period	From December 2, 2022 to December 1, 2023	25%
Third vesting period	From December 2, 2023 to December 1, 2024	25%
Fourth vesting Period	From December 2, 2024 to December 1, 2025	25%

Vesting conditions

Vesting of the Awards under the Grant is subject to conditions of the individual performance indicators of the Selected Participants, and any other applicable vesting conditions as set out in the award letter.

According to the relevant performance management rules adopted by the Company, the Board or the Delegatee shall carry out annual comprehensive appraisal on the Selected Participants and determine the actual vesting amount of the Awards granted under the H Share Award and Trust Scheme accordingly. The actual vesting amount of the Award granted to a Selected Participant for the respective Vesting Periods shall be equal to the standard coefficient \times the planned vesting amount for the respective Vesting Periods. The coefficient for individual performance appraisal results of grade B (or its equivalent appraisal result such as “**meets expectations**”) or above is 100% whereas the coefficient for individual performance appraisal results below grade B is 0. If the Selected Participant fails to fulfil such individual performance indicators, all the Award Shares underlying the relevant Awards which may otherwise be vested during the respective Vesting Periods shall not be vested and shall be held by the Trustee as returned Shares.

For further details on the vesting conditions of the Awards, please refer to the section headed “II. Proposed Adoption of the H Share Award and Trust Scheme — Vesting of the Awards — Vesting Conditions” in the circular of the Company dated August 12, 2020.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at June 30, 2021, the interests or short positions of the Directors, Supervisors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Interests in Shares or Underlying Shares of our Company

Name of Director	Nature of Interest	Number and class of shares interested ⁽⁶⁾	Approximate percentage of the Company's issued share capital
Dr. Ge Li	Interests held jointly with another person; interests of spouse; interests of controlled corporation	740,070,220 A Shares ⁽²⁾ (L)	25.0957%
	Beneficial owner; interests of spouse	156,124 H Shares ⁽⁶⁾ (L)	0.0053%
Dr. Ning Zhao	Interests held jointly with another person; interests of spouse; interests of controlled corporation	740,070,220 A Shares ⁽²⁾ (L)	25.0957%
	Beneficial owner; interests of spouse	156,124 H Shares ⁽⁶⁾ (L)	0.0053%
Mr. Zhaohui Zhang	Interests held jointly with another person; interests of controlled corporation	740,070,220 A Shares ⁽²⁾ (L)	25.0957%
	Beneficial owner	28,386 H Shares ⁽⁶⁾ (L)	0.0010%
Mr. Edward Hu	Beneficial owner; interests of spouse	390,644 A Shares ⁽³⁾ (L)	0.0132%
	Beneficial owner; interests of spouse	70,175 H Shares ⁽³⁾⁽⁶⁾ (L)	0.0024%
Dr. Steve Qing	Beneficial owner	284,644 A Shares (L)	0.0097%
Yang	Beneficial owner	63,868 H Shares ⁽⁶⁾ (L)	0.0022%
Mr. Ellis Bih-Hsin	Beneficial owner	176,400 Share Options ⁽⁴⁾	0.0060%
Chu		117,600 A Shares ⁽⁵⁾ (L)	0.0040%
	Beneficial owner	28,386 H Shares ⁽⁶⁾ (L)	0.0010%

Notes:

- (1) The letter "L" denotes the person's long position in the Shares.
- (2) Dr. Ge Li, Dr. Ning Zhao, Mr. Xiaozhong Liu and Mr. Zhaohui Zhang entered into an acting-in-concert agreement and a supplemental agreement on March 23, 2016 and March 17, 2017 to acknowledge and confirm their acting-in-concert relationship in our Company.

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- (3) Ms. Wendy J. Hu, spouse of Mr. Edward Hu, is interested in 51,812 A Shares (which includes Restricted A Shares granted to her pursuant to the 2018 A Share Incentive Plan and the 2019 A Share Incentive Plan) and 6,307 H Shares (being the underlying H Share of the Awards granted under the H Share Award and Trust Scheme). Mr. Edward Hu is deemed to be interested in his spouse's interest.
- (4) The Share Options were granted pursuant to the 2018 A Share Incentive Plan.
- (5) The 98,000 A Shares underlying the exercised Share Options are new ordinary A Shares issued by the Company to Mr. Ellis Bih-Hsin Chu.
- (6) These are underlying award shares upon full vesting of the awards granted under the H Share Award and Trust Scheme of the Company on December 16, 2020. Details of which are set out in the circular and announcement of the Company dated August 12, 2020 and December 16, 2020 respectively.
- (7) As at June 30, 2021, the number of issued shares of the Company was 2,948,994,677, which has been used for the calculation of the approximate percentage.
- (8) The number of each class of Shares interested has been enlarged following the implementation of the 2020 Profit Distribution Plan on June 8, 2021 under which 2 2020 Capitalization Shares were issued for every existing 10 Shares held by the Shareholders on June 7, 2021 (being the relevant record date) by way of capitalization of reserve.

Interest in associated corporation (within the meaning of Part XV of the SFO)

Name of Director	Associated Corporation	Capacity/nature of interest	Number of Shares	Approximate percentage of shareholding interest
Dr. Ge Li	Shanghai SynTheAll Pharmaceutical Co., Ltd. (上海合全藥業股份有限公司)	Beneficial owner	1,251,704	0.2356%
Mr. Zhaohui Zhang	Shanghai SynTheAll Pharmaceutical Co., Ltd. (上海合全藥業股份有限公司)	Beneficial owner	384,987	0.0725%
Mr. Edward Hu	Shanghai SynTheAll Pharmaceutical Co., Ltd. (上海合全藥業股份有限公司)	Beneficial owner	48,285	0.0091%

Save as disclosed above and in the section headed "Share Incentive Schemes" and to the best knowledge of the Directors, as at June 30, 2021, none of the Directors, Supervisors or the chief executive of the Company has any interests and/or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES AND SHORT POSITION IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at June 30, 2021, so far as it was known to the Directors or chief executive of the Company, the following persons (other than the Directors and chief executive of the Company) had interests and/or short positions in the Shares or underlying Shares which are required to be notified to the Company under Divisions 2 and 3 of Part XV of the SFO, or had interests or short positions in 5% or more of the respective type of Shares which were recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of Shareholder	Nature of Interest	Number and class of shares interested	Approximate percentage of shares in relevant class of shares	Approximate percentage of the Company's issued share capital
Dr. Ge Li ⁽²⁾⁽³⁾	Interests held jointly with another person; interests of spouse; interests of controlled corporation	740,070,220 A Shares (L)	28.87%	25.10%
Dr. Ning Zhao ⁽²⁾⁽³⁾	Interests held jointly with another person; interests of spouse; interests of controlled corporation	740,070,220 A Shares (L)	28.87%	25.10%
Mr. Zhaohui Zhang ⁽²⁾⁽⁴⁾	Interests held jointly with another person; interests of controlled corporation	740,070,220 A Shares (L)	28.87%	25.10%
Mr. Xiaozhong Liu ⁽²⁾⁽⁵⁾	Interest held jointly with another person; interest of controlled corporation	740,070,220 A Shares (L)	28.87%	25.10%
Ms. Lei Zhang (張蕾) ⁽⁴⁾	Interests of spouse	740,070,220 A Shares (L)	28.87%	25.10%
Ms. Guolian Zhang (張國連) ⁽⁵⁾	Interests of spouse	740,070,220 A Shares (L)	28.87%	25.10%
G&C VI Limited ⁽⁶⁾	Beneficial owner	190,512,000 A Shares (L)	7.43%	6.46%
G&C I Limited ⁽⁶⁾	Interests of controlled corporation	190,512,000 A Shares (L)	7.43%	6.46%
G&C Limited ⁽⁶⁾	Interests of controlled corporation	240,927,120 A Shares (L)	9.40%	8.17%

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Name of Shareholder	Nature of Interest	Number and class of shares interested	Approximate percentage of shares in relevant class of shares	Approximate percentage of the Company's issued share capital
G&C IV Hong Kong Limited ⁽⁷⁾	Beneficial owner	139,319,309 A Shares (L)	5.43%	4.72%
G&C VIII Limited ⁽⁷⁾	Interests of controlled corporation	139,319,309 A Shares (L)	5.43%	4.72%
G&C IV Limited ⁽⁷⁾	Interests of controlled corporation	139,319,309 A Shares (L)	5.43%	4.72%
Summer Bloom Investments (I) Pte. Ltd. ⁽⁸⁾	Beneficial owner	174,149,255 A Shares (L)	6.79%	5.91%
Summer Bloom Investments (II) Pte. Ltd. ⁽⁸⁾	Interests of controlled corporation	174,149,255 A Shares (L)	6.79%	5.91%
Summer Bloom Investments Pte. Ltd. ⁽⁸⁾	Interests of controlled corporation	174,149,255 A Shares (L)	6.79%	5.91%
Pavilion Capital International Pte. Ltd. ⁽⁸⁾	Interests of controlled corporation	174,149,255 A Shares (L)	6.79%	5.91%
Pavilion Capital Holdings Pte. Ltd. ⁽⁸⁾	Interests of controlled corporation	174,149,255 A Shares (L)	6.79%	5.91%
Linden Investments Pte. Ltd. ⁽⁸⁾	Interests of controlled corporation	174,149,255 A Shares (L)	6.79%	5.91%
Fullerton Fund Investments Pte. Ltd. ⁽⁸⁾	Interests of controlled corporation	174,149,255 A Shares (L)	6.79%	5.91%
Temasek Holdings (Private) Limited ⁽⁸⁾	Interests of controlled corporation	174,149,255 A Shares (L)	6.79%	5.91%
Morgan Stanley Capital Management, LLC	Interests of controlled corporation	23,209,216 H Shares (L) 17,750,000 H Shares (S)	6.02% 4.61%	0.79% 0.60%
BlackRock, Inc.	Interest of controlled corporation	49,832,134 H Shares (L) 1,013,022 H Shares (S)	12.93% 0.26%	1.69% 0.03%

Name of Shareholder	Nature of Interest	Number and class of shares interested	Approximate percentage of shares in relevant class of shares	Approximate percentage of the Company's issued share capital
Brown Brothers Harriman & Co.	Agent	15,811,170 H Shares (L)	4.10%	0.54%
		15,811,170 H Shares (P)	4.10%	0.54%
Qatar Investment Authority	Interests of controlled corporation	38,790,000 H Shares (L)	10.06%	1.32%
Pandanus Associates Inc.	Interest of controlled corporation	22,579,370 H Shares (L)	5.86%	0.77%
FMR LLC	Interest of controlled corporation	18,758,940 H Shares (L)	4.87%	0.64%
Citigroup Inc.	Interest of controlled corporation	20,270,133 H Shares (L)	5.26%	0.69%
		7,698,469 H Shares (S)	2.00%	0.26%
	Approved lending agent	12,316,450 H Shares (P)	3.20%	0.42%
HSBC Holding plc	Interests of controlled corporation	21,863,052 H Shares (L)	5.67%	0.74%
	Investment manager	4,496,981 H Shares (S)	1.17%	0.15%

Notes:

- (1) (L)–Long position; (S)–Short position; (P)–Lending pool
- (2) Dr. Ge Li, Dr. Ning Zhao, Mr. Xiaozhong Liu and Mr. Zhaohui Zhang entered into an acting-in-concert agreement and a supplemental agreement on March 23, 2016 and March 17, 2017 to acknowledge and confirm their acting-in-concert relationship in our Company.
- (3) Dr. Ning Zhao is the spouse of Dr. Ge Li and they are deemed to be interested in each other's interests in our Company.
- (4) Ms. Lei Zhang is the spouse of Mr. Zhaohui Zhang and is deemed to be interested in Mr. Zhaohui Zhang's interests in our Company.
- (5) Ms. Guolian Zhang is the spouse of Mr. Xiaozhong Liu and is deemed to be interested in Mr. Xiaozhong Liu's interests in our Company.
- (6) Dr. Ge Li indirectly wholly owns G&C VI Limited through his wholly own interests in G&C I Limited and G&C Limited. Under the SFO, Dr. Ge Li is deemed to be interested in the Shares held by G&C VI Limited.

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- (7) G&C IV Limited is funded by nine investors, who are Independent third parties and independent to each other, holding non-voting shares, and is controlled by Dr. Ge Li by holding one voting share representing 100% of the voting power in G&C IV Limited. Dr. Ge Li indirectly wholly owns G&C IV Hong Kong Limited through his control in G&C IV Limited which wholly owns G&C VIII Limited. Under the SFO, Dr. Ge Li deemed to be interested in our Shares held by G&C IV Hong Kong Limited.
- (8) Summer Bloom (I) Investments Pte. Ltd. is wholly-owned by Summer Bloom Investments (II) Pte. Ltd., which in turn is wholly owned by Summer Bloom Investments Pte. Ltd.. Summer Bloom Investments Pte. Ltd. is solely controlled by Pavilion Capital International Pte. Ltd., which is wholly-owned by Pavilion Capital Holdings Pte. Ltd., which in turn, is wholly-owned by Linden Investments Pte. Ltd.. Linden Investments Pte. Ltd. is in turn wholly-owned by Fullerton Fund Investments Pte. Ltd., which in turn, is wholly-owned by Temasek Holdings (Private) Limited. Pavilion Capital Holdings Pte. Ltd. and its subsidiaries are independently managed portfolio companies. Temasek Holdings (Private) Limited is not involved in the management decisions of these companies.
- (9) As at June 30, 2021, the number of issued shares of the Company was 2,948,994,677 (comprised of 2,563,544,702 A Shares and 385,449,975 H Shares), which has been used for the calculation of the approximate percentage.

Save as disclosed above, to the best knowledge of the Company, as at June 30, 2021, no person (other than the Directors, Supervisors and chief executives) had informed the Company that he/she had interests or short positions in the Shares or underlying Shares of equity derivatives of the Company which were required to be notified to the Company under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO, or held any interests or short position in 5% or more of the respective types of capital in issue of the Company.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the share incentive schemes set out under the section “Share Incentive Schemes” on pages 48 to 62 of this interim report, at no time during the Reporting Period was the Company, its holding company, or any of its subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debt securities including debentures of, the Company or any other body corporate.

HUMAN RESOURCES

As at June 30, 2021, the Group had 28,542 employees. The Group enters into employment contracts with its employees to cover matters such as position, term of employment, wage, employee benefits and liabilities for breaches and grounds for termination.

The remuneration of the Group’s employees includes basic salaries, allowances, bonus, share options and other employee benefits, and is determined with reference to their experience, qualifications and general market conditions. We provide regular trainings to our employees in order to improve their skills and knowledge. The training courses range from further educational studies to skill training to professional development course for management personnel.

SUFFICIENCY OF PUBLIC FLOAT

According to the information that is publicly available to the Company and within the knowledge of the Board, as at the date of this interim report, the Company has maintained the public float as required under Listing Rules and as modified by the waiver granted by the Hong Kong Stock Exchange upon the Listing.

CORPORATE GOVERNANCE

The Company recognizes the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of the shareholders as a whole. The Company has adopted corporate governance practices based on the principles and code provisions as set out in the CG Code as its own code of corporate governance practices.

The Board is of the view that, the Company has complied with the relevant code provisions contained in the CG Code during the Reporting Period, save for deviation from code provision A.2.1 of the CG Code.

Pursuant to code provision A.2.1 of the CG Code, the responsibility between the chairman and chief executive officer should be segregated and should not be performed by the same individual. However, the Company does not have a separate chairman and chief executive officer and Dr. Ge Li currently performs these two roles. The Board considers that vesting the roles of chairman and chief executive officer in the same person is beneficial to the management of the Group. The balance of power and authority is ensured by the operation of the senior management and the Board, which comprises experienced individuals. The Board currently comprises five executive Directors (including Dr. Ge Li), two non-executive Directors and five independent non-executive Directors and therefore has a fairly strong independence element in its composition.

The Board will continue to review and monitor its code of corporate governance practices of the Company with an aim to maintaining a high standard of corporate governance.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has devised its own code of conduct regarding Directors' dealings in the Company's securities (the "**Code of Conduct**") on terms no less exacting than the Model Code.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code and the Code of Conduct throughout the Reporting Period.

The Company has also established written guidelines (the "**Employees Written Guidelines**") no less exacting than the Model Code for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company. No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

EVENTS AFTER THE REPORTING PERIOD

1. Further grant of awards under the H Share Award and Trust Scheme

Subsequent to the Reporting Period, awards in an aggregate value of HK\$24,780,000 have been granted to 31 selected participants under the H Share Award and Trust Scheme, and the number of award shares underlying the relevant awards represents 134,654 H Shares, accounting for approximately 0.0346% of the total number of issued H Shares and approximately 0.0046% of the total issued share capital of the Company as at the date of this interim report (the “**Further Grant**”). As no new Shares will be issued by the Company pursuant to the Further Grant, it will not result in any dilution effect on the shareholdings of existing Shareholders. Details of which are set out in the announcement of the Company dated July 2, 2021.

2. Fulfillment of exercise conditions for Second Exercisable Period of Share Options granted under the reserved grant of the 2018 A Share Incentive Plan

Subsequent to the Reporting Period, the Board is of the view that the conditions for Second Exercisable Period of Share Options granted under the reserved grant of the 2018 A Share Incentive Plan has been fulfilled. As such, a total of 144,648 units of the Share Options granted under the 2018 Reserved Grant becomes exercisable by two incentive participants during the Second Exercisable Period in accordance with the relevant requirements of the 2018 A Share Incentive Plan. Details of which are set out in the announcement of the Company dated August 2, 2021.

3. Adoption of the 2021 H Share Award and Trust Scheme

Subsequent to the Reporting Period, to attract, motivate and retain skilled and experienced personnel to strive for the future development and expansion of the Group by providing them with the opportunity to own equity interests in the Company, the Board has considered and approved, on August 2, 2021, a resolution to adopt the 2021 H Share Award and Trust Scheme. The 2021 Scheme Limit shall be the maximum number of H Shares that will be acquired by the 2021 Trustee through on-market transactions from time to time at the prevailing market price with funds in the amount of not more than HK\$2 billion. The Board or the 2021 Delegatee may grant the 2021 Awards to the 2021 Selected Participants during the 2021 Award Period conditional upon fulfilment of terms and conditions of the 2021 Awards and performance targets as the Board or the 2021 Delegatee determines from time to time. 2021 Eligible Employees who may participate in the 2021 H Share Award and Trust Scheme include any individual, being a Director, supervisor, senior management, mid-level manager, basic-level manager, backbone member of the technicians, other technician, who is a full-time PRC or non-PRC employee of any members of the Group. The Company proposes to grant the 2021 Awards in an aggregate value of HK\$110,452,209 to 13 Connected Selected Participants including, Dr. Ge Li, Mr. Edward Hu, Dr. Steve Qing Yang, Dr. Minzhang Chen, Dr. Shuhui Chen, Mr. Zhaohui Zhang, Dr. Ning Zhao, Mr. Ellis Bih-Hsin Chu, Mr. Guodong Tong, Ms. Hui Xu, Ms. Wendy J. Hu, Mr. Harry Liang He and Ms. Minfang Zhu. The adoption of the 2021 H Share Award and Trust Scheme and the grant of 2021 Awards to the 2021 Connected Selected Participants has been approved by the Shareholders at the EGM. Details of which are set out in the announcements of the Company dated August 2, 2021 and August 30, 2021, and the circular of the Company dated August 10, 2021.

4. Adoption of the 2021 Shareholder Alignment Incentive H Share Scheme

Subsequent to the Reporting Period, to retain, reward and incentivize the SAI Selected Participants comprising employees who have made and are expected to continue to make significant and particular contributions to the Group's business development and growth, with incentives highly correlated to and directly driven by the overall business performance and stock price of the H Shares of the Company, the Board has considered and approved, on August 2, 2021, a resolution to adopt the 2021 Shareholder Alignment Incentive H Share Scheme. Subject to the 2021 Shareholder Alignment Incentive H Share Scheme Rules, the 2021 Shareholder Alignment Incentive H Share Scheme shall have four (4) individual scheme limits for each of the four (4) SAI Award Pools. The amounts of the four (4) scheme limits are linked to the monetary value of the corresponding SAI Award Pool. The aggregate amount of the four (4) individual scheme limits is HK\$7.5 billion. The Board or the SAI Delegatee may grant SAI Awards to SAI Selected Participants during the SAI Award Period only in the event that (i) the relevant SAI Award Pool has been released upon the fulfillment of the conditions in connection with the target closing price of the H Shares of the Company at the corresponding milestone; and (ii) the fulfillment of the terms and conditions of the SAI Awards and performance targets as the Board or the SAI Delegatee determines from time to time (if any). SAI Eligible Employees who may qualify to participate in the 2021 Shareholder Alignment Incentive H Share Scheme include any individual, being any individual, being an executive Director, a supervisor who is an employee of the Company, senior management member, and personnel at the grade of director or above that made high performance contributions and are critical company middle to senior management personnel, who is a full-time PRC or non-PRC employee of any members of the Group, and whose performance appraisal results for the most recent two consecutive years are A-or above for any one year and B (excluding B-) or above for the other year. Subject to the fulfillment of the relevant conditions of release of each of the SAI Award Pools at the relevant milestones and the fulfillment of the terms and conditions of the SAI Awards and performance targets as the Board or the SAI Delegatee determines from time to time (if any), the Company proposes to grant SAI Awards under each of the SAI Award Pools in a maximum aggregate value of HK\$1,606,060,300 to 13 SAI Connected Selected Participants, including Dr. Ge Li, Mr. Edward Hu, Dr. Steve Qing Yang, Dr. Minzhang Chen, Dr. Shuhui Chen, Mr. Zhaohui Zhang, Dr. Ning Zhao, Mr. Ellis Bih-Hsin Chu, Mr. Guodong Tong, Ms. Hui Xu, Ms. Wendy J. Hu, Mr. Harry Liang He and Ms. Minfang Zhu. The adoption of the 2021 Shareholder Alignment Incentive H Share Scheme and the grant of SAI Awards to the SAI Connected Selected Participants has been approved by the Shareholders at the EGM. Details of which are set out in the announcements of the Company dated August 2, 2021 and August 30, 2021, and the circular of the Company dated August 10, 2021.

5. Appointment of co-chief executive officer

Subsequent to the Reporting Period, to further harness the power of the Company's integrated and end-to-end capabilities across research, development, manufacturing, testing and clinical trials, the Company has resolved and approved on August 2, 2021, the appointment of Dr. Minzhang Chen (陳民章) ("**Dr. Chen**") as an additional co-chief executive officer of the Company. The term of office of Dr. Chen as co-chief executive officer took effect from the date on which the amendments to the articles of association of the Company (the details of which are set out in the circular of the Company dated August 10, 2021) was approved by way of special resolution of the Shareholders at the EGM, being August 30, 2021, until the expiry of the term of the second session of the Board.

REVIEW OF INTERIM RESULTS AND INTERIM REPORT

Audit Committee

The Audit Committee of the Company comprises three independent non-executive Directors, namely Dr. Hetong Lou, Mr. Xiaotong Zhang and Dr. Jiangnan Cai. The chairman of the Audit Committee is Dr. Hetong Lou. The Audit Committee has reviewed with management and external auditor the unaudited condensed consolidated financial information of the Group for the six months ended June 30, 2021, including accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters.

Scope of work of Messrs. Deloitte Touche Tohmatsu

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

By order of the Board
WuXi AppTec Co., Ltd.*
Chairman
Dr. Ge Li

Hong Kong, August 12, 2021

* *For identification purposes only*

Report on Review of Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

TO THE BOARD OF DIRECTORS OF 無錫藥明康德新藥開發股份有限公司 WUXI APTEC CO., LTD. *
(incorporated in the People's Republic of China with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of 無錫藥明康德新藥開發股份有限公司 WuXi AppTec Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 74 to 137, which comprise the condensed consolidated statement of financial position at June 30, 2021 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six months period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion 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.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
August 12, 2021

* For identification purpose only

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended June 30, 2021

	NOTES	Six months ended June 30,	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Revenue	3	10,536,558	7,231,434
Cost of services		(6,652,831)	(4,572,849)
Gross profit		3,883,727	2,658,585
Other income	5	206,077	127,973
Other gains and losses	6	740,603	721,803
Impairment losses under expected credit losses ("ECL") model, net of reversal	22	(21,644)	(8,082)
Selling and marketing expenses		(355,259)	(274,503)
Administrative expenses		(995,276)	(829,258)
Research and development expenses		(404,431)	(333,439)
Operating profit		3,053,797	2,063,079
Share of profits (losses) of associates		217,286	(17,913)
Share of losses of joint ventures		(22,293)	(12,407)
Finance costs	7	(68,855)	(110,797)
Profit before tax		3,179,935	1,921,962
Income tax expense	8	(487,742)	(194,484)
Profit for the period	9	2,692,193	1,727,478
Other comprehensive (expense) income for the period			
Items that may be reclassified subsequently			
to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		(71,539)	40,541
Fair value (loss) gain on:			
— hedging instruments designated in cash flow hedges		(205,603)	7,364
Other comprehensive (expense) income for the period, net of income tax		(277,142)	47,905
Total comprehensive income for the period		2,415,051	1,775,383

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended June 30, 2021

		Six months ended June 30,	
		2021	2020
<i>NOTES</i>		<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Unaudited)
<hr/>			
Profit for the period attributable to:			
	Owners of the Company	2,675,101	1,717,156
	Non-controlling interests	17,092	10,322
		2,692,193	1,727,478
<hr/>			
Total comprehensive income for the period attributable to:			
	Owners of the Company	2,400,005	1,765,109
	Non-controlling interests	15,046	10,274
		2,415,051	1,775,383
		<i>RMB</i>	<i>RMB</i>
<hr/>			
Earnings per share			
	— Basic	0.92	0.63
	— Diluted	0.91	0.62

Condensed Consolidated Statement of Financial Position

At June 30, 2021

	NOTES	At June 30, 2021 RMB'000 (Unaudited)	At December 31, 2020 RMB'000 (Audited)
Non-current Assets			
Property, plant and equipment	12	12,235,148	10,137,062
Right-of-use assets	12	1,743,589	1,519,864
Goodwill	13	1,952,580	1,391,759
Other intangible assets		912,719	585,319
Interests in associates	14	930,761	712,337
Interests in joint ventures	15	52,375	52,496
Deferred tax assets	16	314,986	300,901
Financial assets at fair value through profit or loss ("FVTPL")	17	9,467,250	6,717,207
Other non-current assets	18	2,134,802	1,395,594
Biological assets	19	631,289	418,869
Amounts due from related parties	34	1,550	419
		30,377,049	23,231,827
Current Assets			
Inventories	20	2,777,757	1,933,826
Contract costs		336,395	250,345
Amounts due from related parties	34	25,198	56,885
Trade and other receivables	21	5,120,219	4,337,866
Contract assets	21	680,054	541,953
Income tax recoverable		225	19,057
Biological assets	19	523,868	501,688
Financial assets at FVTPL	17	2,180,505	4,617,725
Derivative financial instruments	24	341,711	562,824
Pledged bank deposits		8,653	9,113
Bank balances and cash		9,805,726	10,228,057
		21,800,311	23,059,339
Current Liabilities			
Trade and other payables	23	5,374,018	4,550,334
Amounts due to related parties	34	12,929	23,845
Derivative financial instruments	24	10,225	859
Contract liabilities		2,010,666	1,580,980
Borrowings	25	2,271,185	1,230,011
Income tax payables		368,048	340,371
Financial liabilities at FVTPL		—	16,508
Lease liabilities		166,089	177,436
		10,213,160	7,920,344

Condensed Consolidated Statement of Financial Position

At June 30, 2021

	<i>NOTES</i>	At June 30, 2021 RMB'000 (Unaudited)	At December 31, 2020 RMB'000 (Audited)
Net Current Assets		11,587,151	15,138,995
Total Assets Less Current Liabilities		41,964,200	38,370,822
Non-current Liabilities			
Deferred tax liabilities	16	357,296	282,987
Convertible bonds — debt component	27	946,890	1,819,029
Convertible bonds — embedded derivative component	27	1,757,139	1,582,060
Deferred income		679,529	682,035
Other long-term liabilities	26	180,221	219,117
Lease liabilities		1,059,610	1,067,103
		4,980,685	5,652,331
Net Assets		36,983,515	32,718,491
Capital and Reserves			
Share capital	28	2,948,995	2,441,685
Reserves		33,782,615	30,052,058
Equity attributable to owners of the Company		36,731,610	32,493,743
Non-controlling interests		251,905	224,748
Total Equity		36,983,515	32,718,491

The condensed consolidated financial statements on pages 74 to 137 were approved and authorized for issue by the board of directors on August 12, 2021 and are signed on its behalf by:

Ge LI
DIRECTOR

Edward HU
DIRECTOR

Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 2021

	Attributable to owners of the Company											Total RMB'000	
	Share capital RMB'000	Share premium RMB'000	Treasury shares RMB'000	Capital reserve RMB'000	Share- based payment reserve RMB'000	Cash flow hedging reserve RMB'000	Foreign currency translation reserve RMB'000	Statutory reserve RMB'000	Other reserve RMB'000	Retained earnings RMB'000	Subtotal RMB'000		Non- controlling interests RMB'000
Balance at January 1, 2021 (audited)	2,441,685	23,690,163	(1,189,921)	(2,454,164)	1,043,958	481,759	(244,815)	238,896	398,216	8,087,966	32,493,743	224,748	32,718,491
Profit for the period	—	—	—	—	—	—	—	—	—	2,675,101	2,675,101	17,092	2,692,193
Other comprehensive income for the period, net of income tax	—	—	—	—	—	(204,206)	(70,890)	—	—	(275,096)	(275,096)	(2,046)	(277,142)
Total comprehensive income for the period	—	—	—	—	—	(204,206)	(70,890)	—	—	2,675,101	2,400,005	15,046	2,415,051
Recognition of share-based payments	—	—	—	—	258,379	—	—	—	—	—	258,379	2,046	260,425
Share premium transferred to share capital	490,127	(490,127)	—	—	—	—	—	—	—	—	—	—	—
Issue of A shares under 2018 WuXi AppTec A Share Incentive Scheme	98	4,443	—	—	—	—	—	—	—	—	4,541	—	4,541
Issue of restricted A shares under the 2019 WuXi AppTec A Share Incentive Scheme	—	—	—	—	—	—	—	—	—	—	—	—	—
— Stock Option	1,714	64,503	—	—	—	—	—	—	—	—	66,217	—	66,217
Conversion of convertible bonds 2019 WuXi AppTec A Share Incentive Scheme	15,371	2,165,954	—	—	—	—	—	—	—	—	2,181,325	—	2,181,325
— Restricted Shares vested 2018 WuXi AppTec A Share Incentive Scheme	—	—	158,773	256,008	(256,008)	—	—	—	—	—	158,773	—	158,773
— First Batch Restricted Shares vested	—	—	76,126	57,751	(57,751)	—	—	—	—	—	76,126	—	76,126
2018 WuXi AppTec A Share Incentive Scheme	—	—	—	—	—	—	—	—	—	—	—	—	—
— Second Batch Restricted Shares vested	—	—	4,569	7,147	(7,147)	—	—	—	—	—	4,569	—	4,569
Change in ownership interests in subsidiaries without change of control	—	—	—	(27,086)	—	—	—	—	—	—	(27,086)	13,465	(13,621)
Payment of dividends	—	—	4,598	—	—	—	—	—	—	(889,580)	(884,982)	(3,400)	(888,382)
Balance at June 30, 2021 (unaudited)	2,948,995	25,434,936	(945,855)	(2,160,344)	981,431	277,553	(315,705)	238,896	398,216	9,873,487	36,731,610	251,905	36,983,515

Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 2021

	Attributable to owners of the Company												
	Share capital RMB'000	Share premium RMB'000	Treasury shares RMB'000	Capital reserve RMB'000	Share-based payment reserve RMB'000	Cash flow hedging reserve RMB'000	Foreign currency translation reserve RMB'000	Statutory reserve RMB'000	Other reserve RMB'000	Retained earnings RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at January 1, 2020 (audited)	1,651,127	11,470,584	(705,817)	(2,157,519)	576,361	(24,451)	180,697	146,215	398,216	5,776,842	17,312,255	97,455	17,409,710
Profit for the period	—	—	—	—	—	—	—	—	—	1,717,156	1,717,156	10,322	1,727,478
Other comprehensive income for the period, net of income tax	—	—	—	—	—	7,176	40,777	—	—	—	47,953	(48)	47,905
Total comprehensive income for the period	—	—	—	—	—	7,176	40,777	—	—	1,717,156	1,765,109	10,274	1,775,383
Recognition of share-based payments	—	—	—	—	254,703	—	—	—	—	—	254,703	1,526	256,229
Share premium transferred to share capital	660,450	(660,450)	—	—	—	—	—	—	—	—	—	—	—
Restricted A shares Tranche one vested	—	—	106,383	84,418	(84,418)	—	—	—	—	—	106,383	—	106,383
Change in ownership interests in subsidiaries without change of control	—	—	—	(356,168)	—	—	—	—	—	—	(356,168)	11,409	(344,759)
Payment of dividends	—	—	6,622	—	—	—	—	—	(556,430)	(549,808)	—	—	(549,808)
Balance at June 30, 2020 (unaudited)	2,311,577	10,810,134	(592,812)	(2,429,269)	746,646	(17,275)	221,474	146,215	398,216	6,937,568	18,532,474	120,664	18,653,138

Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2021

	NOTE	Six months ended June 30,	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
NET CASH FROM OPERATING ACTIVITIES		2,063,527	1,399,573
NET CASH USED IN INVESTING ACTIVITIES			
Interests received		54,549	30,910
Proceeds from disposal of			
— financial assets at FVTPL		3,347,179	282,334
Purchase of			
— financial assets at FVTPL		(1,602,495)	(1,118,201)
Proceeds from disposal of property, plant and equipment		468	3,707
Proceeds from disposal of other intangible assets		323	—
Purchase of other non-current assets		(700,000)	(500,000)
Acquisition of interests in/capital injection to associates		(17,673)	(99,501)
Acquisition of interests in/capital injection to a joint venture		(16,800)	(26,667)
Purchase of property, plant and equipment		(2,539,709)	(1,086,925)
Payment for lease deposits		(614)	(5,137)
Purchase of other intangible assets		(2,819)	(1,255)
Purchase of biological assets		(192,062)	—
Withdraw of pledged bank deposits		460	535
Net cash outflow on acquisition of subsidiaries	33	(841,578)	—
Dividends received from associates		11,222	2,075
Dividends received from financial assets at FVTPL		582	11,915
R&D grants and others received related to assets		24,792	9,779
Payment for forward contracts		(11,791)	(34,529)
		(2,485,966)	(2,530,960)

Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2021

	Six months ended June 30,	
	2021	2020
<i>NOTE</i>	RMB'000	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
NET CASH FROM (USED IN) FINANCING ACTIVITIES		
Payment of dividends	(892,980)	(552,641)
New borrowings raised	1,524,767	1,411,940
Repayment of borrowings	(484,645)	(1,651,957)
Acquisition of partial interest of subsidiaries from non-controlling shareholders	(13,621)	(458,210)
Contribution from non-controlling shareholders	—	113,451
Interests paid	(11,217)	(51,067)
Net proceeds from exercise of stock option	70,196	—
Repurchase and cancellation of restrict A shares	(82)	(7,889)
Repayment of lease liabilities	(128,321)	(96,874)
Issue cost paid	(1,318)	—
	62,779	(1,293,247)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(359,660)	(2,424,634)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	10,228,057	5,223,293
Effects of exchange rate changes	(62,671)	49,890
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	9,805,726	2,848,549

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

1. GENERAL INFORMATION

無錫藥明康德新藥開發股份有限公司 WuXi AppTec Co., Ltd. (the “Company”) was incorporated in the People’s Republic of China (“PRC”) on March 1, 2017 as a joint stock limited liability company under the PRC laws upon the conversion of 無錫藥明康德新藥開發有限公司 WuXi AppTec Ltd. (formerly known as 無錫藥明康德組合化學有限公司 WuXi PharmaTechs Co., Ltd.), a company with limited liability incorporated in the PRC in December 2000. The Company completed its initial public offering and listing of 104,198,556 ordinary shares of the Company (“A Shares”) on The Shanghai Stock Exchange (stock code: 603259.SH) on May 8, 2018. The Company completed its public offering and listing of 116,474,200 ordinary shares of the Company (“H Shares”) on the Main Board of The Stock Exchange of Hong Kong Limited (“The Hong Kong Stock Exchange”), (stock code: HK 2359) on December 13, 2018. On January 9, 2019, an aggregate of 5,321,200 H Shares was issued and allotted by the Company with the exercise of over-allotment option. On August 5, 2020, the Company completed the placing of new H Shares under Specific Mandate and an aggregate of 68,205,400 placing shares have been successfully placed by the placing agents to no less than six independent placees. On September 23, 2020, the Company completed the proposed non-public issuance of 62,690,290 A Shares and registered such new shares with the Shanghai Branch of the China Securities Depository and Clearing Corporation Limited.

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

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

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value and biological assets which are measured at fair value less costs to sell.

Other than changes in accounting policies resulting from application of amendments to International Financial Reporting Standards (“IFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2021 are the same as those presented in the Group’s annual financial statements for the year ended December 31, 2020.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

Application of amendments to IFRSs

In the current interim period, the Group has applied the following amendments to IFRSs issued by the IASB for the first time, which are mandatorily effective for the annual period beginning on or after January 1, 2021 for the preparation of the Group's condensed consolidated financial statements:

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform — Phase 2
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In addition, the Group has early applied the amendment to IFRS 16 "Covid-19-Related Rent Concessions beyond June 30, 2021".

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

3. REVENUE

The Group's revenue streams are categorized as follows:

China-based laboratory services	Services include small molecules discovery, such as synthetic chemistry, medicinal chemistry, analytical chemistry, biology, drug metabolism and pharmacokinetics ("DMPK")/absorption, distribution, metabolism, and excretion ("ADME"), toxicology and bioanalytical services.
U.S.-based laboratory services	Services include expert solution for medical devices safety testing services and comprehensive manufacturing and testing for cell and gene therapies.
Clinical research and other contract research organization ("CRO") services	Clinical research services includes clinical development services and site management organization ("SMO") services. Clinical development services include project planning, clinical operation and monitoring and managements of phase I-IV clinical trials, outcomes research and medical device trials; embedded outsourcing; and clinical informatics, respectively. SMO services include project management and clinical site management services.
Contract development and manufacturing organization ("CDMO services")	CDMO services stands as an integrated platform to support the development of manufacturing processes and the production of advanced intermediates and active pharmaceutical ingredients, and formulation development and dosage drug product manufacturing, for preclinical, clinical trials, new drug application, and commercial supply of chemical drugs as well as wide spectrum development from early to late stage.
Others	Others mainly include the administrative service income, sales of raw material and sales of scrap materials.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

3. REVENUE (Continued)

Disaggregation of revenue

The Group derives its revenue from the transfer of goods and services over time and at a point in time in the following major service lines. This is consistent with the revenue information that is disclosed for each reportable segment under IFRS 8 *Operating Segment* in Note 4.

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

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue		
— China-based laboratory services	5,487,325	3,779,958
— U.S.-based laboratory services	658,876	781,657
— Clinical research and other CRO services	782,531	499,998
— CDMO services	3,598,671	2,161,503
— Others	9,155	8,318
	10,536,558	7,231,434

Timing of revenue recognition

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Over time		
— China-based laboratory services	4,478,029	3,087,261
— U.S.-based laboratory services	658,876	781,657
— Clinical research and other CRO services	782,531	499,998
— CDMO services	254,477	270,860
— Others	9,155	8,220
At a point in time		
— China-based laboratory services	1,009,296	692,697
— CDMO services	3,344,194	1,890,643
— Others	—	98
	10,536,558	7,231,434

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

4. SEGMENT INFORMATION

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segments.

	Six months ended June 30, 2021 (Unaudited)					Total RMB'000
	China-based laboratory services RMB'000	U.S.-based laboratory services RMB'000	Clinical research and other CRO services RMB'000	CDMO services RMB'000	Others RMB'000	
Segment revenue	5,487,325	658,876	782,531	3,598,671	9,155	10,536,558
Segment results	2,252,216	58,080	103,174	1,467,253	3,004	3,883,727
Unallocated amount:						
Other income						206,077
Other gains and losses						740,603
Impairment losses under ECL model, net of reversal						(21,644)
Selling and marketing expenses						(355,259)
Administrative expenses						(995,276)
Research and development expenses						(404,431)
Share of profits of associates						217,286
Share of losses of joint ventures						(22,293)
Finance costs						(68,855)
Group's profit before tax						3,179,935

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

4. SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

	Six months ended June 30, 2020 (Unaudited)					
	China-based laboratory services <i>RMB'000</i>	U.S.-based laboratory services <i>RMB'000</i>	Clinical research and other CRO services <i>RMB'000</i>	CDMO services <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue	3,779,958	781,657	499,998	2,161,503	8,318	7,231,434
Segment results	1,562,736	187,393	54,339	851,399	2,718	2,658,585
Unallocated amount:						
Other income						127,973
Other gains and losses						721,803
Impairment losses under ECL model, net of reversal						(8,082)
Selling and marketing expenses						(274,503)
Administrative expenses						(829,258)
Research and development expenses						(333,439)
Share of losses of associates						(17,913)
Share of losses of joint ventures						(12,407)
Finance costs						(110,797)
Group's profit before tax						1,921,962

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

4. SEGMENT INFORMATION (Continued)

Entity-wide disclosure

Geographical information

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

	Six months ended June 30,	
	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Unaudited)
Revenue		
— PRC	2,501,004	1,685,538
— U.S.	5,834,903	4,073,849
— Europe	1,489,892	1,020,754
— Rest of the world	710,759	451,293
	10,536,558	7,231,434

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

	At June 30, 2021 <i>RMB'000</i> (Unaudited)	At December 31, 2020 <i>RMB'000</i> (Audited)
	— PRC	16,175,859
— Rest of the world	4,417,404	3,523,720
	20,593,263	16,213,300

Non-current assets excluding deferred tax assets, financial assets at FVTPL and rental deposits included in amounts due from related parties.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

5. OTHER INCOME

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest income	91,346	25,681
R&D grants and others related to		
— asset (Note i)	26,936	18,815
— income (Note ii)	87,666	76,056
Dividend income arising from		
— financial assets at FVTPL	129	7,421
	206,077	127,973

Notes:

- i. The Group has received certain R&D grants and others to invest in laboratory equipment. The grants were recognized in profit or loss over the useful lives of the relevant assets.
- ii. The R&D grants and others related to income have been received to compensate for the Group's research and development expenditures. Some of the grants related to income have future related costs expected to be incurred and require the Group to comply with conditions attached to the grants. These grants related to income are recognized in profit or loss when related costs are subsequently incurred and the Group receives acknowledgment of compliance. Other grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss when received by the Group.

6. OTHER GAINS AND LOSSES

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net foreign exchange (loss) gain	(78,197)	81,359
Gain resulting from transfer of an investment in associates to financial assets at FVTPL	—	351,491
Loss on disposal of plant and equipment	(5,993)	(3,175)
Gain on financial assets at FVTPL	2,114,258	709,611
Loss on derivative financial instruments	(1,494,163)	(522,574)
Fair value gain on biological assets	232,190	132,982
Fair value (loss) gain on financial liabilities at FVTPL	(226)	1,192
Fair value loss on share-based appreciation rights	(21,949)	(20,128)
Others	(5,317)	(8,955)
	740,603	721,803

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

7. FINANCE COSTS

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest expense on borrowings	11,164	48,522
Imputed interest expense on payable for acquisition of a property and a subsidiary	3,281	3,147
Interest on lease liabilities	29,470	24,492
Effective interest expense on Convertible Bonds	24,940	34,636
	68,855	110,797

8. INCOME TAX EXPENSE

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax:		
— PRC	348,845	260,570
— Hong Kong	80,975	12,126
— USA	401	21,250
— Rest of world	16,583	1,944
	446,804	295,890
Under (over) provision in respect of prior years:		
— PRC	7,588	(33,238)
— USA	—	266
	7,588	(32,972)
Deferred tax:		
— Current period	33,350	(68,434)
	487,742	194,484

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

9. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging:

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Depreciation for plant and equipment	527,446	434,668
Depreciation for right-of-use assets	121,568	98,211
Amortization of other intangible assets	44,598	34,701
Staff cost (including directors' emoluments):		
— Salaries and other benefits	3,187,221	2,295,383
— Retirement benefit scheme contributions	339,671	152,192
— Equity-settled share-based payments	260,425	256,230
— Cash-settled share-based payments	92,739	58,346
	4,573,668	3,329,731
Capitalized in the ending balance of inventories and contract costs	(902,360)	(528,222)
	3,671,308	2,801,509
Write-down of inventories	9,347	5,808
Expense relating to short-term leases	7,017	3,546
Expense relating to leases of low-value assets that are not shown above as short-term leases	186	221
	3,687,858	2,811,084
Auditor's remuneration	3,996	3,129

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

10. EARNINGS PER SHARE

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

	Six months ended June 30,	
	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Unaudited)
Earnings:		
Profit attributable to ordinary equity holders of the parent	2,675,101	1,717,156
Less: Cash dividends attribute to the shareholders of restricted shares expected to be unlocked in the future	(4,598)	(6,622)
Earnings for the purpose of calculating basic earnings per share	2,670,503	1,710,534
Effect of dilutive potential ordinary shares:		
Add: Cash dividends attribute to the shareholders of restricted shares expected to be unlocked in the future	4,598	6,622
Effect of share options issued by a subsidiary	(4,821)	(4,361)
Earnings for the purpose of calculating diluted earnings per share	2,670,280	1,712,795
Number of Shares (000):		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	2,903,298	2,740,033
Effect of dilutive potential ordinary shares:		
Effect of restricted shares and share options issued by the Company	21,097	21,089
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	2,924,395	2,761,122

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

The computation of diluted earnings per share for the six month ended June 30, 2021 and 2020 is based on weighted average number of shares assumed to be in issue after taking into account the effect of restricted shares and share options issued by the Company.

The denominator for the purposes of calculating both basic and diluted earnings per share for the six months ended June 30, 2021 and 2020 have been adjusted to reflect the capitalisation issuance completed on June 8, 2021 under the 2020 Profit Distribution Plan (defined in Note 28).

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

10. EARNINGS PER SHARE (Continued)

The computation of diluted earnings per share for the six month ended June 30, 2021 does not assume the conversion of the Company's outstanding convertible bonds since their assumed exercise would result in an increase in earnings per share.

11. DIVIDENDS

On May 13, 2021, 2020 profit distribution plan ("2020 Profit Distribution Plan") of the Company was approved at the 2020 annual general meeting, 2021 first session of A Share Class Meeting and 2021 first session of H Share Class Meeting. Pursuant to the 2020 Profit Distribution Plan, a final dividend of RMB0.3630 per share (inclusive of tax) based on the record date for determining the shareholders' entitlement to 2020 Profit Distribution plan was declared to both holders of A Shares and H Shares. The aggregated dividends amounted to RMB889,580,000, including A shares dividends of RMB774,954,000 and H shares dividends of RMB114,626,000, which was paid by the Company during the current interim period.

The directors of the Company have determined that no dividend will be proposed or declared in respect of the current interim period (Six month ended June 30, 2020: Nil).

12. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

During the current interim period, the Group acquired property, plant and equipment of approximately RMB2,997,077,000 (Period ended June 30, 2020: RMB949,548,000) for the expansion of production facilities and research capacity. The amount of property, plant and equipment acquired upon acquisition of a subsidiary is approximately RMB21,666,000.

During the current interim period, the Group entered into several new lease agreements for the use of buildings. On lease commencement, the Group recognized right-of-use assets amounting to RMB68,729,000 (Period ended June 30, 2020: RMB53,870,000) and lease liabilities amounted to RMB68,729,000 (Period ended June 30, 2020: RMB53,870,000). The amount of right-of-use assets recognized upon acquisition of a subsidiary is approximately RMB7,006,000.

During the current interim period, the Group also acquired RMB272,685,000 (six month ended June 30, 2020: Nil) right-of-use assets for upfront payments for leasehold lands in the PRC.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

13. GOODWILL

	At June 30, 2021 RMB'000 (Unaudited)	At December 31, 2020 RMB'000 (Audited)
COST		
At the beginning of period/year	1,533,308	1,462,713
Effect of foreign currency exchange difference	(11,652)	(34,918)
Acquisition of a subsidiary (<i>Note 33</i>)	571,960	105,513
	2,093,616	1,533,308
IMPAIRMENT		
At the beginning of period/year	141,549	100,537
Impairment loss recognised in the year	—	44,346
Effect of foreign currency exchange difference	(513)	(3,334)
	141,036	141,549
CARRYING VALUES		
At the end of period/year	1,952,580	1,391,759

14. INTERESTS IN ASSOCIATES

	At June 30, 2021 RMB'000 (Unaudited)	At December 31, 2020 RMB'000 (Audited)
At the beginning of the period/year	712,337	768,292
Addition	17,673	73,881
Dividend	(11,222)	(2,075)
Share of post-acquisition gains (losses)	217,286	(76,833)
Exchange effect	(5,313)	(50,928)
	930,761	712,337

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

15. INTERESTS IN JOINT VENTURES

	At June 30, 2021 RMB'000 (Unaudited)	At December 31, 2020 RMB'000 (Audited)
At the beginning of the period/year	52,496	25,215
Addition	22,206	41,511
Share of post-acquisition losses	(22,293)	(13,919)
Exchange effect	(34)	(311)
	52,375	52,496

16. DEFERRED TAXATION

For the purpose of presentation in the condensed consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	At June 30, 2021 RMB'000 (Unaudited)	At December 31, 2020 RMB'000 (Audited)
Deferred tax assets	314,986	300,901
Deferred tax liabilities	(357,296)	(282,987)
	(42,310)	17,914

16. DEFERRED TAXATION (Continued)

The following are the deferred tax liabilities and assets recognised and movements thereon during the current interim periods and the year ended December 31, 2020.

	Deferred Assets										Deferred Liabilities					Total
	Share-based payment	Impairment allowance	Share-based payment	Accrual expenses	Deferred income	Right-of-use assets/lease liabilities	Depreciation difference	Derivative financial instruments	Others	Intangible assets arising from acquisition of subsidiaries	Depreciation difference	Financial assets at FVTPL	Biological assets FV Change	Derivative financial instruments	Others	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2020 (Audited)	43,726	13,368	24,234	9,227	57,852	—	138,588	5,636	8,868	(144,839)	(122,510)	(1,213)	(763)	—	(1,037)	31,117
Credit (charge) to profit or loss	39,564	3,194	104,428	9,399	9,282	21,634	(11,059)	(134)	(3,241)	70,458	(47,351)	(20,207)	(85,134)	1,871	83	92,787
Charge to OCI	—	—	—	—	—	—	—	(5,455)	—	—	—	—	—	(86,809)	—	(92,264)
Acquisitions of subsidiaries	—	—	—	—	—	—	—	—	—	(16,533)	—	—	—	—	—	(16,533)
Exchange differences	(2,052)	(151)	(1,155)	(1,052)	—	(1,136)	(20)	(24)	(806)	2,584	6,651	—	—	—	51	2,890
Effect of change in tax rate	—	(3)	(140)	—	—	—	60	—	—	—	—	—	—	—	—	(83)
At December 31, 2020 (Audited)	81,238	16,408	127,367	17,574	67,134	20,498	127,549	23	4,821	(88,330)	(163,210)	(21,420)	(85,897)	(84,938)	(903)	17,914
Credit (charge) to profit or loss	69,378	5,514	33,712	(8,156)	3,787	1,881	(9,376)	—	11,741	7,131	(49,681)	(89,427)	(12,462)	(1,645)	796	(37,027)
Credit to OCI	—	—	—	—	—	—	—	4,166	—	—	—	—	—	34,301	—	38,467
Acquisitions of subsidiaries	—	—	—	—	—	—	—	—	—	(62,734)	—	—	—	—	—	(62,734)
Exchange differences	275	(528)	(96)	(202)	—	(147)	(349)	—	672	299	1,140	—	—	—	8	1,070
At June 30, 2021 (Unaudited)	150,891	21,394	160,981	9,216	70,921	22,032	117,824	4,189	17,234	(143,634)	(211,751)	(110,847)	(98,379)	(52,282)	(89)	(42,310)

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

16. DEFERRED TAXATION (Continued)

At the end of the current interim period, the Group has unused tax losses of RMB954,324,000 (31 December 2020: RMB775,380,000) available for offset against future profits. A deferred tax asset of RMB150,891,000 (31 December 2020: RMB81,238,000) in respect of tax losses of RMB592,817,000 (31 December 2020: RMB343,758,000) has been recognised. No deferred tax asset has been recognised in respect of the remaining tax losses of RMB361,507,000 (31 December 2020: RMB431,622,000) due to the unpredictability of future profit streams. These unrecognised tax losses will be carried forward and expire in years as follows:

	At June 30, 2021 RMB'000 (Unaudited)	At December 31, 2020 RMB'000 (Audited)
2021	4,236	4,236
2022	13,216	13,216
2023	16,025	16,025
2024	17,012	17,012
2025 and later	171,141	261,917
No expiry date	139,877	119,216
	361,507	431,622

17. FINANCIAL ASSETS AT FVTPL

	At June 30, 2021 RMB'000 (Unaudited)	At December 31, 2020 RMB'000 (Audited)
Current asset		
Structured deposits and financial products	2,180,505	4,617,725
	2,180,505	4,617,725
Non-current assets		
Listed equity securities	3,649,340	1,835,826
Unlisted equity investments	5,240,798	4,489,915
Unlisted fund investments (Note)	577,112	391,466
	9,467,250	6,717,207

Note: The fair values of the unlisted fund investments are based on the net asset values of the investment funds reported to the limited partners by the general partners at the end of the reporting period.

18. OTHER NON-CURRENT ASSETS

Balances at June 30, 2021 included the certificates of deposits purchased by the Group with an aggregate amount of RMB2,000,000,000. The certificates of deposits are principal guaranteed with fixed interest rate which ranged from 3.988% to 4.180% per annum and mature date ranged from April 13, 2023 to January 22, 2024.

19. BIOLOGICAL ASSETS

Nature of the Group's agricultural activities

The biological assets of the Group are cynomolgous non-human primates, including cynomolgous monkeys for CRO experiment, which are classified as current assets and cynomolgous monkeys for breeding, which are classified as non-current assets of the Group.

Carrying value of the Group's biological assets

	Cynomolgous monkeys for breeding <i>RMB'000</i>	Cynomolgous monkeys for experiment <i>RMB'000</i>	Total <i>RMB'000</i>
Carrying value at January 1, 2021 (Audited)	418,869	501,688	920,557
Add: Purchases	112,005	109,531	221,536
Breeding costs	—	12,042	12,042
Decrease due to mortality	(5,454)	(2,954)	(8,408)
Decrease due to sales	—	(61)	(61)
Decrease due to experiments	—	(222,699)	(222,699)
Gain arising from changes in fair value less costs to sell of biological assets	154,856	77,334	232,190
Transfer among group of monkeys	(48,987)	48,987	—
Carrying value at June 30, 2021 (Unaudited)	631,289	523,868	1,155,157

Analysed for reporting purposes as:

	At June 30, 2021 <i>RMB'000</i> (Unaudited)	At December 31, 2020 <i>RMB'000</i> (Audited)
Current	523,868	501,688
Non-current	631,289	418,869
Total	1,155,157	920,557

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

19. BIOLOGICAL ASSETS (Continued)

Fair value measurement

The Group's biological assets were valued by Shanghai Orient Appraisal Co., Ltd. ("Shanghai Orient"), a firm of independent qualified professional valuers unrelated to the Group. The fair value less costs to sell of biological assets are determined as follows:

Fair value hierarchy	Valuation technique	Inputs	Relationship of unobservable inputs to fair value
Level 3	Market approach — sales comparison method	Recent trading price and adjustment factors based on the characteristics of the biological assets (including age information, species, health status and etc.).	The higher adjustment factors, the higher the fair value.

20. INVENTORIES

	At June 30, 2021 RMB'000 (Unaudited)	At December 31, 2020 RMB'000 (Audited)
Raw material and consumables	858,759	550,737
Work in progress	1,206,226	736,412
Finished goods	712,772	646,677
	2,777,757	1,933,826

The inventories are net of a write-down of approximately RMB40,779,000 as at June 30, 2021 (December 31, 2020: RMB31,432,000).

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

21. TRADE AND OTHER RECEIVABLES/CONTRACT ASSETS

21.1 TRADE AND OTHER RECEIVABLES

	At June 30, 2021 RMB'000 (Unaudited)	At December 31, 2020 RMB'000 (Audited)
Trade receivables		
— third parties	4,245,177	3,686,070
Allowance for credit losses	(97,587)	(77,385)
	4,147,590	3,608,685
Other receivables	78,517	24,076
Note receivable	1,790	2,500
Prepayments	345,798	175,732
Interest receivables	—	2,247
Prepaid expense	32,929	21,322
Value added tax recoverable	504,736	496,492
Rental deposits	8,859	6,812
	894,112	705,105
Total trade and other receivables	5,120,219	4,337,866

The Group allows a credit period ranging from 30 to 90 days to its customers. The following is an aging analysis of trade receivables (net of allowance for credit losses) and note receivable presented based on the invoice dates, at the end of each reporting period:

	At June 30, 2021 RMB'000 (Unaudited)	At December 31, 2020 RMB'000 (Audited)
Within 180 days	3,743,619	3,239,280
181 days to 1 year	202,001	202,561
1 year to 2 years	162,636	161,530
More than 2 years	41,124	7,814
	4,149,380	3,611,185

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

21. TRADE AND OTHER RECEIVABLES/CONTRACT ASSETS (Continued)

21.2 CONTRACT ASSETS

	At June 30, 2021 RMB'000 (Unaudited)	At December 31, 2020 RMB'000 (Audited)
Contract assets	684,050	544,699
Less: Allowance for credit losses	(3,996)	(2,746)
	680,054	541,953

The contract assets primarily relate to the Group's right to consideration for work completed and not billed. The contract assets are transferred to trade receivables when the rights become unconditional.

22. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS AND OTHER ITEMS SUBJECT TO EXPECTED CREDIT LOSS ("ECL") MODEL

	Six months ended June 30, 2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Impairment loss recognised in respect of		
Contract assets	1,252	389
Trade receivables	20,392	7,693
	21,644	8,082

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended June 30, 2021 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2020.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

23. TRADE AND OTHER PAYABLES

	At June 30, 2021 RMB'000 (Unaudited)	At December 31, 2020 RMB'000 (Audited)
Trade payables	1,317,450	928,953
Salary and bonus payables	1,127,258	1,139,557
Payables for acquisition of plant and equipment	1,985,285	1,414,076
Accrued expenses	501,052	372,253
Other taxes payable	32,208	38,286
Interest payable	794	848
Note payable	15,817	11,652
Others	71,053	87,541
Considerations received from employees for subscribing restricted A shares of the Company under the WuXi AppTec A Share Incentive Scheme	323,101	557,168
	5,374,018	4,550,334

Payment terms with suppliers are mainly on credit within 90 days from the time when the goods are received from the suppliers. The following is an age analysis of trade payables and note payable presented based on invoice dates at the end of each reporting period:

	At June 30, 2021 RMB'000 (Unaudited)	At December 31, 2020 RMB'000 (Audited)
Within one year	1,310,512	926,076
1 year to 2 years	10,483	5,369
2 years to 3 years	6,027	6,263
More than 3 years	6,245	2,897
	1,333,267	940,605

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

24. DERIVATIVE FINANCIAL INSTRUMENTS

	At June 30, 2021 RMB'000 (Unaudited)	At December 31, 2020 RMB'000 (Audited)
Current assets		
Derivatives under hedge accounting		
Cash flow hedges — Foreign currency forward contracts	257,976	512,916
Cash flow hedges — Foreign currency collar option contracts	83,735	49,908
	341,711	562,824
Current liabilities		
Derivatives under hedge accounting		
Cash flow hedges — Foreign currency forward contracts	10,225	147
Interest hedges — Interest rate swap contracts	—	712
	10,225	859

Derivatives under hedge accounting

It is the policy of the Group to enter into forward foreign exchange contracts and collar option contracts to manage its foreign exchange rate risk arising from anticipated future foreign currency transactions up to 12 months, in particular, the exchange rate between USD and RMB, which are designated into cash flow hedges.

	Average strike rate as at June 30, 2021	Notional value as at June 30, 2021 USD'000	Fair value assets as at June 30, 2021 RMB'000
Forward Contracts			
Sell USD			
Less than 3 months	6.8146	337,000	104,843
3 to 6 months	6.6877	210,000	36,578
7 to 12 months	6.5528	454,000	17,959
Buy RMB			
Less than 3 months	7.0410	130,000	71,638
3 to 6 months	6.7857	87,000	22,394
7 to 12 months	6.6410	55,000	4,564

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

24. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Derivatives under hedge accounting (Continued)

	Average strike rate 1* as at June 30, 2021	Average strike rate 2* as at June 30, 2021	Notional value as at June 30, 2021 USD'000	Fair value assets as at June 30, 2021 RMB'000
--	--	--	--	---

Collar Options Contracts

Sell USD

3 to 6 months	6.9500	7.0500	200,000	80,703
7 to 12 months	6.5500	6.7200	76,000	3,032

* The Group has the right but not the obligation to sell USD and buy RMB at strike rate 1 if the spot rate on the settlement date is at or below the strike rate 1 or no transaction if the spot rate on the settlement date is between the strike rate 1 and the strike rate 2 or the Group has the obligation to sell USD and buy RMB at strike rate 2 if the spot rate on the settlement date is at or above the strike rate 2.

	Average strike rate as at June 30, 2021	Notional value as at June 30, 2021 USD'000	Fair value liabilities as at June 30, 2021 RMB'000
--	---	---	---

Forward Contracts

Sell USD

7 to 12 months	6.4679	680,000	10,225
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Period ended June 30, 2021

	Fair value change of derivative financial instruments recognised in other comprehensive income RMB'000	Reclassification from other comprehensive income into profit or loss RMB'000	Profit or loss items
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Cash flow hedges

Anticipated future sales	200,941	(443,148)	Revenue
Anticipated borrowings repayment	—	753	Finance costs
	<u>200,941</u>	<u>(442,395)</u>	

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

24. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Derivatives under hedge accounting (Continued)

For the six months ended June 30, 2021, the aggregate amount of loss under foreign exchange forward contracts and collar option contracts recognised in other comprehensive income and accumulated in cash flow hedging reserve relating to the exposure on anticipated future sales transactions denominated in USD is RMB331,486,000 (as at December 31, 2020: gain of RMB573,646,000). It is anticipated that the sales will take place within next 12 months at which time the amount recognised in other comprehensive income will be reclassified to profit or loss.

The Group entered into interest rate swaps to mitigate its interest rate risk in the year of 2020. Under the interest rate swaps, the Group agrees with other third party to exchange the floating interest payments in USD for fixed interest rate at 0.54% and 0.62% per annum in USD. As at June 30, 2021, the interest rate swaps has terminated and the amount recognised in other comprehensive income has be reclassified to profit or loss in the same periods during which the hedged cash flows affect profits or loss.

At the inception of above hedging relationships, the Group formally designates and documents the hedge relationship, risk management objective and strategy for undertaking the hedge. The cash flow hedge mentioned above were assessed to be highly effective.

The ineffective part of the hedge mainly comes from basis risk, risk of change of supply and demand in spot markets and forward markets, and other uncertainty risk of spot markets and forward markets. The amount of the ineffective part of the hedge in the current period and the previous period is not significant.

25. BORROWINGS

	At June 30, 2021 RMB'000 (Unaudited)	At December 31, 2020 RMB'000 (Audited)
Analyzed as:		
Unsecured and guaranteed	—	10,000
Secured and unguaranteed	—	300,000
Unsecured and unguaranteed	2,271,185	920,011
	2,271,185	1,230,011

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

25. BORROWINGS (Continued)

	At June 30, 2021 RMB'000 (Unaudited)	At December 31, 2020 RMB'000 (Audited)
Analyzed as:		
Fixed interest rate	1,308,630	305,000
Variable interest rate	962,555	925,011
	2,271,185	1,230,011

	At June 30, 2021 RMB'000 (Unaudited)	At December 31, 2020 RMB'000 (Audited)
Analyzed as:		
Current	2,271,185	1,230,011

	At June 30, 2021 RMB'000 (Unaudited)	At December 31, 2020 RMB'000 (Audited)
Analyzed as:		
Borrowings from banks	2,271,185	1,230,011

The ranges of effective interest rates on the Group's fixed and variable-rate borrowings are as follows:

	At June 30, 2021 (Unaudited)	At December 31, 2020 (Audited)
Effective interest rate:		
Fixed rate borrowings	0.69%–4.50%	2.40%–4.35%
Variable rate borrowings	0.64%–1.21%	0.74%–3.90%

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

26. OTHER LONG-TERM LIABILITIES

	At June 30, 2021 RMB'000 (Unaudited)	At December 31, 2020 RMB'000 (Audited)
Long-term tax payable	—	42,122
Payable for acquisition of a subsidiary (<i>Note</i>)	180,175	176,945
Others	46	50
	180,221	219,117

Note: On September 30, 2019, WuXi AppTec (Suzhou) Co., Ltd., a subsidiary of the Company entered into an agreement to acquire the 100% equity interest of Suzhou Kanglu Biotechnology Co., Ltd. ("Suzhou Kanglu") at a cash consideration of RMB803,838,000, among which RMB150,368,000 would be paid in the third year after the signing of contract. The payables are measured at amortized cost with imputed interest of 4.30% per annum.

27. CONVERTIBLE BONDS

On September 17, 2019 (the "Issue Date"), the Company issued a five-year zero coupon convertible bonds (the "Convertible Bonds") overseas in an aggregate principal amount of USD300,000,000. The conversion period is on or after October 28, 2019 up to the close of business on the date falling 10 working days prior to September 17, 2024 (the "Maturity Date") and the price of H shares to be issued in exercise of the right of conversion is initially HK\$111.8 per H share. The conversion price is subject to adjustment for, among other things, capital distributions and capitalization of profits or reserves made by the Company. The conversion price has been adjusted to HK\$79.85 per H Share as a result of the approval of the payment of the Profit Distribution and the Capitalization of Reserve by the Shareholders at the 2019 annual general meeting of the Company with effect from June 4, 2020. The conversion price has been further adjusted to HK\$66.17 per H Share as a result of the approval of the payment of the Profit Distribution and the Capitalization of Reserve by the Shareholders at the 2020 annual general meeting of the Company with effect from June 8, 2021.

On the Maturity Date, the Company would redeem all unconverted bonds from bondholders at the price of 106.43% par value of the issued Convertible Bonds.

On September 17, 2022, the bond holders would have right to ask the Company to redeem all or some of the bonds at 103.81% of the principal amount.

On giving not less than 30 nor more than 60 days' notice to the bondholders, the trustee and the principal agent (which notice will be irrevocable), the Convertible Bonds may be redeemed by the Company in whole, but not in part, on the date specified in the optional redemption notice at the early redemption amount (i) at any time after September 27, 2022 but prior to the Maturity Date, or (ii) at any time if, the aggregate principal amount of the Convertible Bonds outstanding is less than 10% of the aggregate principal amount originally issued.

27. CONVERTIBLE BONDS (Continued)

The Convertible Bonds comprise two components:

- (a) Debt component was initially measured at fair value. It is subsequently measured at amortised cost using the effective interest method after considering the effect of the transaction costs.
- (b) Derivative component comprises conversion options and early redemption options (not closely related to the debt component), which was initially measured at fair value.

In subsequent periods, the debt component of the convertible bonds is carried at amortised cost using the effective interest method. The derivative component is measured at fair value with changes in fair value recognised in profit or loss.

The total transaction costs that are related to the issue of the Convertible Bonds were allocated to the debt and derivative components in proportion to their respective fair values.

The total transaction costs relating to the derivative component were charged to profit or loss. Transaction costs relating to the debt component are included in the carrying amount of the debt portion and amortised over the period of the Convertible Bonds using the effective interest method.

The movement of the debt and derivative components of Convertible Bonds for the period is set out as below:

	Debt component <i>RMB'000</i>	Embedded derivative component <i>RMB'000</i>	Total <i>RMB'000</i>
As at December 31, 2020 (Audited)	1,819,029	1,582,060	3,401,089
Exchange adjustments	(16,653)	(17,363)	(34,016)
Interest charge	24,940	—	24,940
Loss arising on changes of fair value	—	1,493,340	1,493,340
Conversion of convertible bonds into shares	<u>(880,426)</u>	<u>(1,300,898)</u>	<u>(2,181,324)</u>
As at June 30, 2021 (Unaudited)	<u>946,890</u>	<u>1,757,139</u>	<u>2,704,029</u>

During the period ended June 30, 2021, convertible bonds with a nominal value of USD145,100,000 (equivalent to RMB937,361,000) (December 31, 2020: Nil) have been converted to 15,371,000 shares (December 31, 2020: Nil) of the Company by the bond holders, as a result, the debt component of the convertible bonds of RMB880,426,000 (December 31, 2020: Nil) and the embedded derivative component of the convertible bonds of RMB1,300,898,000 (December 31, 2020: Nil) have been transferred to equity upon the conversion.

No redemption of the Convertible Bonds has occurred up to June 30, 2021.

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For the six months ended June 30, 2021

28. SHARE CAPITAL

	<i>RMB'000</i>
Ordinary shares of RMB1.00 each	
At January 1, 2020	1,651,127
Share premium transferred to share capital	660,451
Issue of H shares under the placement	68,205
Non-public issuance of A shares	62,690
Issue of restricted A shares under the 2019 WuXi AppTec A Share Incentive Scheme	383
Issue of A shares under 2018 WuXi AppTec A Share Incentive Scheme-Reserved Options	63
Repurchase and cancellation of restricted A shares	<u>(1,234)</u>
At December 31, 2020	2,441,685
Share premium transferred to share capital (<i>Note</i>)	490,127
Issue of A shares under 2018 WuXi AppTec A Share Incentive Scheme-Reserved Options	98
Issue of restricted A shares under the 2019 WuXi AppTec A Share Incentive Scheme-Stock Option	1,714
Conversion of convertible bonds	<u>15,371</u>
At June 30, 2021 (Unaudited)	<u>2,948,995</u>

Note: Pursuant to the 2020 Profit Distribution Plan, on June 8, 2021, 2 new shares were issued for every existing 10 shares held by the shareholders on May 31, 2021 (being the relevant record date). Accordingly, the total number of shares of the Company has increased by 490,127,000 shares, and the registered capital of the Company has increased by RMB490,127,000.

29. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value measurement

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each 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), as well as the level of the fair value hierarchy into which the fair value measurements are categorized (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are based on quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

29. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

Fair value measurement (Continued)

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	06/30/2021 RMB'000	12/31/2020 RMB'000				
Structured Deposits and financial products	2,180,505	4,617,725	Level 2	Discounted cash flow — Future cash flows are estimated based on expected return	N/A	N/A
Investment in listed companies at fair value	1,282,267	1,835,826	Level 1	Active market quoted transaction price	N/A	N/A
Investment in listed companies within lock-up period at fair value	2,367,073	—	Level 3	Option Pricing models	expected volatility	The higher the expected volatility, the lower the fair value
Investment on unlisted funds at fair value	577,112	391,466	Level 3	Net asset value of underlying investments	Net assets value	The higher net asset value, the higher the fair value
Unlisted equity securities at fair value	5,240,798	4,489,915	Level 3	Back-solve from recent transaction price Market multiple method	IPO/Redemption/Liquidation probability/risk-free rate/expected volatility/recent transaction price/liquidity discount	The higher the expected volatility, the higher the fair value The lower the risk-free rate, the higher the fair value
Foreign currency forward contracts	257,976	512,916	Level 2	Discounted cash flow — Future cash flows are estimated based on observable forward exchange rates and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties	N/A	N/A
Collar option contracts	83,735	49,908	Level 3	Option pricing model with forward exchange rates and expected volatility as key inputs	Expected volatility forward exchange rates	The higher the expected, volatility, the higher the fair value

Notes to the Condensed Consolidated Financial Statements

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29. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

Fair value measurement (Continued)

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	06/30/2021 RMB'000	12/31/2020 RMB'000				
Foreign currency forward contracts	10,225	147	Level 2	Discounted cash flow — Future cash flows are estimated based on observable forward exchange rates and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties	N/A	N/A
Interest rate swap contracts	—	712	Level 2	Discounted cash flow — Future cash flows are estimated based on the fixed interest rate adopted, the referenced floating interest rate, time to maturity and discount rate that reflects the credit risk of various counterparties	N/A	N/A
Contingent consideration	—	16,508	Level 3	Discounted cash flow method was used to capture the present value of the expected future economic benefits that will flow out of the Group arising from the contingent consideration	Probability-adjusted revenue Risk-free rate	The higher the probability-adjusted revenue, the higher the fair value The lower risk-free rate the higher the fair value
Convertible Bonds — embedded derivative component	1,757,139	1,582,060	Level 3	Binomial option pricing with the volatilities and risk-free rates as key inputs	Expected volatility Risk-free rate	The higher the expected volatility, the higher the fair value The lower risk-free rate the higher the fair value

There were no transfers between level 1 and level 2 during the six months ended June 30, 2021 and year ended December 31, 2020.

29. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)**Fair value measurement** (Continued)**(ii) Reconciliation of level 3 fair value measurements**

Details of reconciliation of financial assets at fair value and financial liabilities at fair value measured at Level 3 fair value measurement are set out as below:

	Unlisted fund investments at fair value RMB'000	Unlisted equity investments at fair value RMB'000	Listed companies within lock-up period at fair value RMB'000	Convertible bonds embedded derivative component RMB'000	Contingent consideration RMB'000	Collars RMB'000
At January 1, 2020	289,020	2,563,112	—	(298,013)	(44,228)	—
Acquisitions	47,949	2,138,211	—	—	—	—
Changes in fair value	73,820	297,138	—	(1,349,387)	11,219	49,908
Transferred to level 1	—	(253,482)	—	—	—	—
Disposal	(4,415)	(11,091)	—	—	—	—
Settlement	—	—	—	—	17,015	—
Dividend	(4,465)	—	—	—	—	—
Effect of exchange rate change	(10,443)	(243,973)	—	65,340	(514)	—
At December 31, 2020	391,466	4,489,915	—	(1,582,060)	(16,508)	49,908
Acquisitions	137,935	1,604,064	—	—	—	—
Changes in fair value	58,243	1,056,872	572,226	(1,493,340)	226	33,827
Transferred from unlisted equity investments at fair value to listed pharmaceutical companies within lock-up period at fair value (Note)	—	(1,809,965)	1,809,965	—	—	—
Disposal	—	(71,782)	(7,348)	—	—	—
Settlement	—	—	—	—	15,886	—
Dividend	(8,595)	—	—	—	—	—
Conversion of convertible bonds into shares	—	—	—	1,300,898	—	—
Effect of exchange rate change	(1,937)	(28,306)	(7,770)	17,363	396	—
At June 30, 2021	577,112	5,240,798	2,367,073	(1,757,139)	—	83,735

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

29. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

Fair value measurement (Continued)

(ii) Reconciliation of level 3 fair value measurements (Continued)

Note: Suzhou Nanomicro Technology Co., Limited was listed on The Shanghai Stock Exchange on June 23, 2021, Ambrx Biopharma Inc. was listed on The New York Stock Exchange on June 18, 2021, Adagene Inc., Immunocore Limited, Lyell Immunopharma, Inc. and NRX Pharmaceuticals Inc. were listed on NASDAQ on February 9, 2021, February 5, 2021, June 17, 2021 and May 24, 2021, respectively. Since then, their open market transaction prices can be obtained from the active market. However, since the fair value of these investments was measured based on the open market transaction prices multiplied with a liquidity discount due to the lock up period, the Group classify the fair value hierarchy of these investments as level 3.

Fair value gains or losses for the period included an unrealized gain of RMB194,227,000 relating to financial assets and financial liabilities at FVTPL on Level 3 fair value at the end of the reporting period (six months ended June 30, 2020: a loss of RMB436,906,000). Such fair value gains or losses are included in 'other gains and losses'.

(iii) Fair value of financial assets and financial liabilities that are not measured at fair value

The directors of the Company consider that the carrying amount of the Group's financial assets and financial liabilities recorded at amortized cost in the condensed consolidated financial statements except for the debt component of convertible bonds approximate to their fair values. Such fair values have been determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

30. SHARE-BASED COMPENSATION

STA Share Units and Options Incentive Scheme

上海合全藥業股份有限公司 Shanghai SynTheAll Pharmaceutical Co., Ltd. ("STA"), a subsidiary of the Company, was once listed on National Equities Exchange and Quotations ("NEEQ") and delisted from NEEQ in June 2019. STA Group has established equity-settled share units and options incentive schemes including the (i) STA Share Option Incentive Scheme (2015); (ii) STA Overseas Employees Incentive Scheme and (iii) STA Share Option Incentive Scheme (2016). None of the eligible STA employees are the Chief Executive or directors of the Company.

On September 13, 2017, the STA shareholders' meeting approved to capitalize 20 STA Shares for every 10 STA Shares standing to the credit of the share premium account of STA ("Conversion of Capital Reserve"). In May 2017 and April 2018, the STA Shareholders' meeting approved to distribute RMB10.0 and RMB3.5 for every 10 STA Shares, respectively. As a result, the number of STA Shares and exercise price per share granted under the STA Share Option Incentive Scheme (2015), STA Overseas Employees Incentive Scheme, and STA Share Option Incentive Scheme (2016) presented herein has been adjusted to reflect the Conversion of Capital Reserve and dividend adjustment.

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For the six months ended June 30, 2021

30. SHARE-BASED COMPENSATION (Continued)

STA Share Units and Options Incentive Scheme (Continued)

Set out below are details of the movements of the outstanding units and options granted under the STA Share Units and Options Scheme for the six months ended June 30, 2021 and 2020:

STA Share Unites and Options Incentive Scheme (Unaudited)	Outstanding at January 1, 2021	Granted during the period	Exercised during the period	Forfeited during the period	Outstanding at June 30, 2021
STA Overseas Employees Incentive Scheme — 2nd batch	166,043	—	—	—	166,043
STA Overseas Employees Incentive Scheme — 3rd batch	192,000	—	—	—	192,000
STA Share Option Incentive Scheme (2016) — 1st batch	167,040	—	—	(7,200)	159,840
STA Share Option Incentive Scheme (2016) — 2nd batch	233,136	—	—	(11,772)	221,364
Total	758,219	—	—	(18,972)	739,247
Exercisable at the end of the period	—				—
Weighted average exercise price	RMB5.07	N/A	N/A	N/A	RMB4.99
STA Share Unites and Options Incentive Scheme (Unaudited)	Outstanding at January 1, 2020	Granted during the period	Exercised during the period	Forfeited during the period	Outstanding at June 30, 2020
STA Share Option Incentive Scheme (2015)	6,078,000	—	(6,078,000)	—	—
STA Overseas Employees Incentive Scheme — 1st batch	2,503,836	—	(2,311,836)	(192,000)	—
STA Overseas Employees Incentive Scheme — 2nd batch	186,843	—	(20,800)	—	166,043
STA Share Option Incentive Scheme (2016) — 1st batch	274,860	—	(91,620)	(7,200)	176,040
STA Share Option Incentive Scheme (2016) — 2nd batch	316,560	—	—	—	316,560
Total	9,360,099	—	(8,502,256)	(199,200)	658,643
Exercisable at the end of the period	—				—
Weighted average exercise price	RMB6.21	N/A	RMB6.29	N/A	RMB6.43

The Group recognized RMB4,131,000 of share-based payment expenses for the six months ended June 30, 2021 (six months ended June 30, 2020: RMB2,037,000), in relation to STA Share Option Incentive Scheme.

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30. SHARE-BASED COMPENSATION (Continued)

STA Share Appreciation Incentive Scheme

On May 16, 2016 and July 12, 2017, STA Share Appreciation Incentive Scheme (2016) and STA Share Appreciation Incentive Scheme (2017) were approved at the STA shareholders' meeting. As a result of the Conversion of Capital Reserve, the total number of STA units granted under the STA Share Appreciation Incentive Scheme (2016) and the STA Share Appreciation Incentive Scheme (2017) to eligible STA foreign employees were 1,350,000 and 123,000 respectively. Stock appreciation rights have been awarded in units, with each unit representing the value of one STA Shares. Upon the exercise of stock appreciation rights, exercising recipients will receive payments in RMB from STA, subject to any withholding tax, equal to the number of stock appreciation rights exercised times the difference between the subscribe price and market price of the STA Shares on the exercise day. The number of STA Shares and subscribe price per STA share granted under the STA Share Appreciation Incentive Scheme presented herein has been adjusted to reflect the Conversion of Capital Reserve and dividend adjustment.

Set out below are details of the movements of the outstanding units granted under the STA Share Appreciation Incentive Scheme for the six months ended June 30, 2021 and 2020:

STA Share Appreciation Incentive Scheme (Unaudited)	Outstanding at January 1, 2021	Granted during the period	Exercised during the period	Forfeited during the period	Outstanding at June 30, 2021
STA Share Appreciation Incentive Scheme (2016)					
— 1st batch	216,000	—	(216,000)	—	—
— 2nd batch	54,000	—	—	—	54,000
STA Share Appreciation Incentive Scheme (2017)	27,000	—	—	—	27,000
Total	<u>297,000</u>	<u>—</u>	<u>(216,000)</u>	<u>—</u>	<u>81,000</u>
Exercisable at the end of the period	—				—
Weighted average exercise price	<u>RMB8.00</u>	<u>N/A</u>	<u>RMB8.00</u>	<u>N/A</u>	<u>RMB8.00</u>

30. SHARE-BASED COMPENSATION (Continued)**STA Share Appreciation Incentive Scheme** (Continued)

	Outstanding at January 1, 2020	Granted during the period	Exercised during the period	Forfeited during the period	Outstanding at June 30, 2020
STA Share Appreciation Incentive Scheme (Unaudited)					
STA Share Appreciation Incentive Scheme (2016)					
— 1st batch	432,000	—	(144,000)	—	288,000
— 2nd batch	72,000	—	—	—	72,000
STA Share Appreciation Incentive Scheme (2017)	36,000	—	—	—	36,000
Total	540,000	—	(144,000)	—	396,000
Exercisable at the end of the period	—				—
Weighted average exercise price	RMB8.00	N/A	RMB8.00	N/A	RMB8.00

For the six months ended June 30, 2021, the Group has recorded share-based payment expenses of RMB2,346,000 (six months ended June 30, 2020: RMB2,462,000).

2018 WuXi AppTec A Share Incentive Scheme-First Batch Restricted Shares

On August 22, 2018, the shareholders' meeting of the Company passed a resolution to issue up to 8,856,900 A Shares of the Company under the 2018 WuXi AppTec A Share Incentive Scheme. On August 28, 2018, 7,085,500 restricted A shares of the Company were approved for a director of the Company and eligible employees to subscribe at the price of RMB45.53 per A Share and the remaining 1,771,400 A shares will be reserved for future distribution. In October 2018, 6,281,330 number of A Shares were subscribed by a director of the Company and eligible employees and RMB285,989,000 consideration were received by the Company. These granted restricted A Shares have a contractual term of no more than four years and unlock over a three year period, with 40%, 30% and 30% of the awards unlocking on the first, second and third anniversary date of the A Shares registration date upon meeting certain annual performance conditions. Pursuant to the black-out period provisions of the 2018 WuXi AppTec A Share Incentive Scheme, directors and employees shall not transfer the A Shares which fulfil the unlocking conditions to any third party in any form within the six months from each unlocking anniversary date.

Details of specific categories of restricted shares are as follows:

Categories	Date of grant	Number of restricted A shares	Subscribe price per share
Mr. Edward HU	October 31, 2018	91,000	RMB45.53
Mr. Steve Qing Yang	October 31, 2018	64,800	RMB45.53
Employees	October 31, 2018	6,125,530	RMB45.53

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30. SHARE-BASED COMPENSATION (Continued)

2018 WuXi AppTec A Share Incentive Scheme-First Batch Restricted Shares (Continued)

Set out below are details of the movements of the outstanding restricted A shares granted under the 2018 WuXi AppTec A Share Incentive Scheme-First Batch Restricted Shares for the six months ended June 30, 2021:

	Outstanding at January 1, 2021	Forfeited before capitalization issue	Vested before capitalization issue	Capitalisation issue	Forfeited after Capitalization issue	Outstanding at June 30, 2021
2018 WuXi AppTec A Share Incentive Scheme — First Batch Restricted Shares (Unaudited)	6,695,359	(81,438)	(3,346,183)	671,952	(77,261)	3,862,429
Total	6,695,359	(81,438)	(3,346,183)	671,952	(77,261)	3,862,429

For the six months ended June 30, 2021, the Group has recorded share-based payment expenses of RMB8,496,000 (for the six months ended June 30, 2020: RMB21,004,000) in relation to 2018 WuXi AppTec A Share Incentive Scheme — First Batch Restricted Shares.

2018 WuXi AppTec A Share Incentive Scheme-Second Batch Restricted Shares

On July 19, 2019, Board of Directors of the Company passed a resolution to grant 542,017 A Shares of the Company to eligible employees to subscribe at the price of RMB32.44 per A Share under the reserved part of 2018 WuXi AppTec A Share Incentive Scheme (“2018 WuXi AppTec A Share Incentive Scheme — Second Batch Restricted Shares”) under the authorization of the shareholders’ meeting. In September 2019, 478,822 number of A Shares were subscribed by eligible employees and RMB15,553,000 consideration were received by the Company. These granted restricted A Shares have a contractual term of no more than four years and unlock over a three year period, with 40%, 30% and 30% of the awards unlocking on the first, second and third anniversary date of the A Shares registration date upon meeting certain annual performance conditions. Pursuant to the black-out period provisions of the 2018 WuXi AppTec A Share Incentive Scheme — Second Batch Restricted Shares, employees shall not transfer the A Shares which fulfill the unlocking conditions to any third party in any form within the six months from each unlocking anniversary date.

Details of specific categories of restricted shares are as follows:

Categories	Date of grant	Number of restricted A shares	Subscribe price per share
Employees	September 1, 2019	478,822	RMB32.44

30. SHARE-BASED COMPENSATION (Continued)**2018 WuXi AppTec A Share Incentive Scheme-Second Batch Restricted Shares**
(Continued)

Set out below are details of the movements of the outstanding restricted A shares granted under the 2018 WuXi AppTec A Share Incentive Scheme-Second Batch Restricted Shares for the six months ended June 30, 2021:

	Outstanding at January 1, 2021	Forfeited before capitalization issue	Vested before capitalization issue	Capitalisation issue	Forfeited after Capitalization issue	Outstanding at June 30, 2021
2018 WuXi AppTec A Share Incentive Scheme — Second Batch Restricted Shares (Unaudited)	497,726	(21,000)	(199,087)	59,728	(4,200)	333,167
Total	497,726	(21,000)	(199,087)	59,728	(4,200)	333,167

For the six months ended June 30, 2021, the Group has recorded share-based payment expenses of RMB1,916,000 (six months ended June 30, 2020: RMB4,844,000) in relation to 2018 WuXi AppTec A Share Incentive Scheme-Second Batch Restricted Shares.

2018 WuXi AppTec A Share Incentive Scheme-Reserved Options

On July 19, 2019, Board of Directors of the Company passed a resolution to grant A Shares stock options of the Company to eligible employees under the reserved part of 2018 WuXi AppTec A Share Incentive Scheme (“2018 WuXi AppTec A Share Incentive Scheme — Reserved Options”) under the authorization of the shareholders’ meeting.

On May 15, 2020, the shareholders’ meeting approved to capitalize 4 shares for every 10 shares standing to the credit of the share premium account. As a result, the number of shares granted under the 2018 WuXi AppTec A Share Incentive Scheme — Reserved Options has been adjusted to reflect the Conversion of Capital Reserve and exercise price per share has been adjusted from RMB64.88 to RMB46.34.

On May 13, 2021, the shareholders’ meeting approved to capitalize 2 shares for every 10 shares standing to the credit of the share premium account. As a result, the number of shares granted under the 2018 WuXi AppTec A Share Incentive Scheme-Reserved Options has been adjusted to reflect the Conversion of Capital Reserve and exercise price per share has been adjusted from RMB46.34 to RMB38.62.

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30. SHARE-BASED COMPENSATION (Continued)

2018 WuXi AppTec A Share Incentive Scheme-Reserved Options (Continued)

(1) Details of options are as follows:

	Date of grant	Number of options shares	Exercise price
2018 WuXi AppTec A Share Options Incentive Scheme Reserved Options	July 19, 2019	287,000	RMB38.62

(2) Options granted under the 2018 WuXi AppTec A Share Incentive Scheme-Reserved Options shall have a contractual term of four-year period and vest over a four-year period, with 40%, 30% and 30% of total options vesting on the first, second, third anniversary date one year after the vesting commencement date upon meeting certain annual performance conditions.

Set out below are details of the movements of the outstanding units granted under the 2018 WuXi AppTec A Share Incentive Scheme-Reserved Options for the six months ended June 30, 2021:

	Outstanding at January 1, 2021	Vested before capitalisation issue	Exercised before capitalization issue	Capitalisation issue	Forfeited after Capitalization issue	Outstanding at June 30, 2021
2018 WuXi AppTec A Share Incentive Scheme — Reserved Options (Unaudited)	339,080	(98,000)	—	48,216	—	289,296
Total	339,080	(98,000)	—	48,216	—	289,296

For the six months ended June 30, 2021, the Group has recorded share-based payment expenses of RMB1,221,000 (six months ended June 30, 2020: RMB3,113,000) in relation to 2018 WuXi AppTec A Share Options Incentive Scheme — Reserved Options.

30. SHARE-BASED COMPENSATION (Continued)**2019 WuXi AppTec A Share Incentive Scheme-Restricted Shares**

In November 2019, the shareholders' meeting of the Company passed a resolution to issue up to 18,949,977 A Shares of the Company under the 2019 WuXi AppTec A Share Incentive Scheme. On November 25, 2019, 13,400,273 restricted A shares of the Company were approved by the Board of Directors of the Company for a director of the Company and eligible employees to subscribe at the price of RMB32.44 per A Share ("2019 WuXi AppTec A Share Incentive Scheme — Restricted Shares"). In December 2019, 12,942,744 number of A Shares were subscribed by a director of the Company and eligible employees and RMB419,863,000 consideration were received by the Company. These granted restricted A Shares have a contractual term of no more than four years and unlock over a three year period, with 40%, 30% and 30% of the awards unlocking on the first, second and third anniversary date of the A Shares registration date upon meeting certain annual performance conditions. Pursuant to the black-out period provisions of the 2019 WuXi AppTec A Share Incentive Scheme — Restricted Shares, director and employees shall not transfer the A Shares which fulfill the unlocking conditions to any third party in any form within the six months from each unlocking anniversary date.

Details of specific categories of restricted shares are as follows:

Categories	Date of grant	Number of restricted A shares	Subscribe price per share
Mr. Edward HU	December 4, 2019	125,000	RMB32.44
Mr. Steve Qing Yang	December 4, 2019	115,000	RMB32.44
Employees	December 4, 2019	12,702,744	RMB32.44

Set out below are details of the movements of the outstanding units granted under the 2019 WuXi AppTec A Share Incentive Scheme — Restricted Shares throughout the reporting period:

	Outstanding at January 1, 2021	Forfeited before capitalization issue	Vested before capitalization issue	Capitalisation issue	Vested after capitalization issue	Forfeited after Capitalization issue	Outstanding at June 30, 2021
2019 WuXi AppTec A Share Incentive Scheme — Restricted Shares (Unaudited)	17,410,334	(107,900)	(34,843)	3,492,290	(8,260,039)	(247,384)	12,252,458
Total	17,410,334	(107,900)	(34,843)	3,492,290	(8,260,039)	(247,384)	12,252,458

For the six months ended June 30, 2021, the Group has recorded share-based payment expenses of RMB82,212,000 (six months ended June 30, 2020: RMB190,555,000) in relation to 2019 WuXi AppTec A Share Incentive Scheme-Restricted Shares.

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30. SHARE-BASED COMPENSATION (Continued)

2019 WuXi AppTec A Share Incentive Scheme-Stock Option

In November 2019, the shareholders' meeting of the Company passed a resolution to issue up to 18,949,977 A Shares of the Company under the 2019 WuXi AppTec A Share Incentive Scheme. On November 25, 2019, 5,014,854 A shares stock options of the Company were approved by the Board of Directors of the Company to grant to eligible employees ("2019 WuXi AppTec A Share Incentive Scheme — Reserved Options").

On May 15, 2020, the shareholders' meeting approved to capitalize 4 shares for every 10 shares standing to the credit of the share premium account. As a result, the number of shares granted under the 2019 WuXi AppTec A Share Incentive Scheme-Stock Option has been adjusted to reflect the Conversion of Capital Reserve and exercise price per share has been adjusted from RMB64.88 to RMB46.34.

On May 13, 2021, the shareholders' meeting approved to capitalize 2 shares for every 10 shares standing to the credit of the share premium account. As a result, the number of shares granted under the 2019 WuXi AppTec A Share Incentive Scheme-Stock Option has been adjusted to reflect the Conversion of Capital Reserve and exercise price per share has been adjusted from RMB46.34 to RMB38.62.

(1) Details of specific categories of options are as follows:

	Date of grant	Number of options shares	Exercise price
2019 WuXi AppTec A Share Options Incentive Scheme Reserved Options	November 25, 2019	5,014,854	RMB38.62

(2) Options granted under the 2019 WuXi AppTec A Share Options Incentive Scheme shall have a contractual term of 54-months and vest over a 54-months period, with 40%, 30% and 30% of total options vesting on the first, second, third anniversary date 18 months after the vesting commencement date upon meeting certain annual performance conditions.

Set out below are details of the movements of the outstanding units granted under the 2019 WuXi AppTec A Share Incentive Scheme — Stock Option throughout the reporting period:

	Outstanding at January 1, 2021	Forfeited before capitalization issue	Capitalisation issue	Exercised after capitalization issue	Forfeited after Capitalization issue	Outstanding at June 30, 2021
2019 WuXi AppTec A Share Incentive Scheme — Stock Option (Unaudited)	6,183,303	(196,686)	1,200,014	(1,714,578)	(139,782)	5,332,271
Total	6,183,303	(196,686)	1,200,014	(1,714,578)	(139,782)	5,332,271

30. SHARE-BASED COMPENSATION (Continued)**2019 WuXi AppTec A Share Incentive Scheme-Stock Option** (Continued)

For the six months ended June 30, 2021, the Group has recorded share-based payment expenses of RMB29,899,000 (six months ended June 30, 2020: RMB32,946,000) in relation to 2019 WuXi AppTec A Share Incentive Scheme-Stock Option.

2019 WuXi AppTec H Share Appreciation Incentive Scheme

On September 30, 2019, 2019 WuXi AppTec H Share Appreciation Incentive Scheme was approved at the shareholders' meeting. Stock appreciation rights have been awarded in units, with each unit representing the value of one H Share of the Company. The total number of units granted under the WuXi AppTec H Share Appreciation Incentive Scheme to eligible employees were 2,901,172 ("2019 WuXi AppTec H Share Appreciation Incentive Scheme"). Upon the exercise of stock appreciation rights, exercising recipients will receive payments in RMB from the Company, subject to any withholding tax, equal to the number of stock appreciation rights exercised times the difference between the subscribe price and market price of the H Share of the Company on the exercise day.

On May 15, 2020, the shareholders' meeting approved to capitalize 4 shares for every 10 shares standing to the credit of the share premium account and distribute RMB3.37 for every 10 shares ("2019 profit distribution plan"). As a result, the number of shares granted under the 2019 WuXi AppTec H Share Appreciation Incentive Scheme has been adjusted to reflect the 2019 profit distribution plan and exercise price per share has been adjusted from HKD72.00 to HKD51.43.

On May 13, 2021, the shareholders' meeting approved to capitalize 2 shares for every 10 shares standing to the credit of the share premium account and distribute RMB3.63 for every 10 shares ("2020 profit distribution plan"). As a result, the number of shares granted under the 2019 WuXi AppTec H Share Appreciation Incentive Scheme has been adjusted to reflect the 2020 profit distribution plan and exercise price per share has been adjusted from HKD51.43 to HKD42.86.

(1) Details of specific categories of options are as follows:

	Date of grant	Number of options shares	Exercise price
2019 WuXi AppTec H Share Appreciation Incentive Scheme	September 30, 2019	2,901,172	HKD42.86

(2) Units granted under the 2019 WuXi AppTec H Share Appreciation Incentive Scheme shall have a contractual term of 44-months and vest over a 44-months period, with 40%, 30% and 30% of total options vesting on the first, second, third anniversary date eight months after the vesting commencement date upon meeting certain annual performance conditions.

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30. SHARE-BASED COMPENSATION (Continued)

2019 WuXi AppTec H Share Appreciation Incentive Scheme (Continued)

Set out below are details of the movements of the outstanding units granted under the 2019 WuXi AppTec H Share Appreciation Incentive Scheme throughout the reporting period:

	Outstanding at January 1, 2021	Forfeited before capitalization issue	Exercised before capitalization issue	Capitalisation issue	Forfeited after Capitalization issue	Exercised after capitalization issue	Outstanding at June 30, 2021
2019 WuXi AppTec H Share Appreciation Incentive Scheme (Unaudited)	2,218,433	(140,182)	(388,874)	337,875	(12,683)	(357,418)	1,657,151
Total	2,218,433	(140,182)	(388,874)	337,875	(12,683)	(357,418)	1,657,151

The fair value of the units granted under 2019 WuXi AppTec H Share Appreciation Incentive Scheme as each reporting date was determined using the Black-Scholes model.

For the six months ended June 30, 2021, the Group has recorded share-based payment expenses of RMB90,393,000 (six months ended June 30, 2020: RMB55,884,000) in relation 2019 WuXi AppTec H Share Appreciation Incentive Scheme.

2019 WuXi AppTec A Share Incentive Scheme-Reserved Restricted Shares

On June 10, 2020, Board of Directors of the Company passed a resolution to grant 427,000 A Shares of the Company to eligible employees to subscribe at the price of RMB40.59 per A Share under the reserved part of 2019 WuXi AppTec A Share Incentive Scheme (“2019 WuXi AppTec A Share Incentive Scheme — Reserved Restricted Shares”) under the authorization of the shareholders’ meeting. These granted restricted A Shares have a contractual term of no more than four years and unlock over a three year period, with 40%, 30% and 30% of the awards unlocking on the first, second and third anniversary date of the A Shares registration date upon meeting certain annual performance conditions. Pursuant to the black-out period provisions of the 2019 WuXi AppTec A Share Incentive Scheme-Reserved Restricted Shares, employees shall not transfer the A Shares which fulfill the unlocking conditions to any third party in any form within the six months from each unlocking anniversary date.

Details of specific categories of restricted shares are as follows:

	Date of grant	Number of options shares	Exercise price
2019 WuXi AppTec A Share Incentive Scheme — Reserved Restricted Shares	June 10, 2020	427,000	RMB40.59

For the six months ended June 30, 2021, the Group has recorded share-based payment expenses of RMB3,516,000 (six months ended June 30, 2020: RMB686,000) in relation to 2019 WuXi AppTec A Share Incentive Scheme-Reserved Restricted Shares.

30. SHARE-BASED COMPENSATION (Continued)**2019 WuXi AppTec A Share Incentive Scheme-Reserved Restricted Shares**
(Continued)

Set out below are details of the movements of the outstanding units granted under the 2019 WuXi AppTec A Share Incentive Scheme-Reserved Restricted Shares throughout the reporting period:

	Outstanding at January 1, 2021	Forfeited before capitalisation issue	Capitalisation issue	Forfeited after capitalisation issue	Outstanding at June 30, 2021
2019 WuXi AppTec A Share Incentive Scheme — Reserved Restricted Shares	383,240	(16,800)	76,648	(3,360)	439,728
Total	383,240	(16,800)	76,648	(3,360)	439,728

2020 WuXi AppTec H Share Award and Trust Scheme

On August 31, 2020, the first extraordinary general meeting of 2020 approved the resolution in relation to the proposed adoption of the 2020 WuXi AppTec H Share Award and Trust Scheme (“2020 H Share Award Scheme”) and authorized Board of Directors of the Company to handle related matters. Under 2020 H Share Award Scheme, the Company has signed a trust deed with Computershare Hong Kong Trustees Limited (the “Trustee”) and provided Trustee with funds in the amount of not more than HK\$700 million to purchase H shares of the Company through on-market transactions from time to time at the prevailing market price. On December 2, 2020, Board of Directors of the Company passed a resolution to grant 5,498,666 H Shares of the Company (equivalent to HKD619,587,950) to 2,444 eligible employees. These granted awarded H Shares have four vesting period, with 25%, 25%, 25% and 25% of the awards within the year immediately following the first, second, third and fourth anniversary date of the grant date upon meeting certain annual performance conditions. The employees shall have no right to any dividend underlying the non-vested Awarded Shares or any of the returned shares or any dividend, right to any cash or non-cash income, distribution, sale proceeds of non-cash and non-scrip distributions underlying the returned shares, all of which shall be retained by the Trustee for the benefit of the 2020 H Share Award Scheme.

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30. SHARE-BASED COMPENSATION (Continued)

2020 WuXi AppTec H Share Award and Trust Scheme (Continued)

(1) Details of specific categories of restricted shares are as follows:

Categories	Date of grant	Number of Awarded H shares	Value of the Awarded H shares
Dr. Ge Li	02/12/2020	106,449	HKD11,991,574
Mr. Edward Hu	02/12/2020	53,224	HKD5,995,787
Dr. Steve Qing Yang	02/12/2020	53,224	HKD5,995,787
Mr. Zhaohui Zhang	02/12/2020	23,655	HKD2,664,794
Dr. Ning Zhao	02/12/2020	23,655	HKD2,664,794
Mr. Ellis Bih-Hsin Chu	02/12/2020	23,655	HKD2,664,794
Mr. Minzhang Chen	02/12/2020	35,483	HKD3,997,191
Dr. Shuhui Chen	02/12/2020	35,483	HKD3,997,191
Mr. Harry Liang He	02/12/2020	7,885	HKD888,265
Ms. Minfang Zhu	02/12/2020	2,628	HKD296,088
Ms. Wendy J. Hu	02/12/2020	5,256	HKD592,176
Ms. Cuiping Hu	02/12/2020	1,555	HKD175,200
Employees	02/12/2020	5,126,514	HKD577,664,309

(2) Set out below are details of the movements of the outstanding units granted under the 2020 WuXi AppTec H Share Award and Trust Scheme throughout the reporting period:

	Outstanding at January 1, 2021	Forfeited before capitalization issue	Capitalisation issue	Forfeited after Capitalization issue	Outstanding at June 30, 2021
2020 WuXi AppTec H Share Award and Trust Scheme	5,481,347	(81,323)	1,080,005	(154,483)	6,325,546
Total	5,481,347	(81,323)	1,080,005	(154,483)	6,325,546

The fair value of the awarded shares was calculated based on the market price of the Company's H shares at the respective grant date. The weighted average fair value of awarded shares granted during the year ended 31 December 2020 was HKD119.40 per share (equivalent to approximately RMB101.05 per share).

For the six months ended June 30, 2021, the Group has recorded share-based payment expenses of RMB127,982,000 (six months ended June 30, 2020: Nil) in relation to 2020 WuXi AppTec H Share Award and Trust Scheme.

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31. CAPITAL COMMITMENTS

The Group had capital commitments under non-cancellable contracts as follows:

	At June 30, 2021 RMB'000 (Unaudited)	At December 31, 2020 RMB'000 (Audited)
Commitments for the acquisition of property, plant and equipment	4,216,024	2,238,197
Commitments for the investments in unlisted fund investments at fair value	96,600	—
Commitments for the investments in unlisted equity investments at fair value	598,066	—
Commitments for the investments in associate and joint venture	1,472,816	13,050
	6,383,506	2,251,247

32. CONTINGENT LIABILITIES

The Group has no significant contingent liabilities as at June 30, 2021 (December 31, 2020: Nil).

33. ACQUISITION OF A SUBSIDIARY

Oxford Genetics Limited

On March 1, 2021, WuXi ATU (Hong Kong) Limited, a subsidiary of the Company entered into an agreement to acquire 100% equity interest of Oxford Genetics Limited for a cash consideration of GBP96,492,000 (equivalent to RMB872,863,000). Oxgene is a U.K.-based contract research and development organization that designs and develops scalable gene therapy technologies.

Name of subsidiary acquired	Vendor	Percentage of interest acquired	Principal activity	Fair value of purchase consideration	Date of completion	Nature of acquisition RMB'000
Oxford Genetics Limited	Independent third party	100%	Gene therapy	872,863	March 1, 2021	Business combination

Fair value of consideration transferred

	Amount RMB'000
Cash	872,863

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33. ACQUISITION OF A SUBSIDIARY (Continued)

Oxford Genetics Limited (Continued)

Assets acquired and liabilities assumed at the date of acquisition

	Amount RMB'000
Bank balances and cash	31,285
Inventories	1,546
Contract cost	1,295
Trade and other receivables	7,124
Income tax recoverable	16
Property, plant and equipment	21,666
Right of use-assets	7,006
Other intangible assets	333,413
Borrowings	(740)
Trade and other payables	(29,128)
Contract liabilities	(2,840)
Deferred tax liabilities	(62,734)
Lease liabilities	(7,006)
Net assets	300,903
Less: non-controlling interests	—
Net assets acquired	300,903

The fair value of trade and other receivables at the date of acquisition amounted to RMB7,124,000, which approximated the gross contractual amounts of those receivables acquired at the date of acquisition. None of the contractual cash flows are not expected to be collected at acquisition date. The directors of the Company consider that the carrying amount of assets and liabilities of Oxgene approximate to their fair values at the date of acquisition except certain other intangible assets. The fair value hierarchy of valuation of certain other intangible assets at the date of acquisition was level 3 and the fair value was to reference to valuation report issued by Beijing Pugu Financial Consulting Co., Ltd.

Other intangible assets mainly include trademark and proprietary technology. The fair value of trademark, proprietary technology were valued using the relief from royalty method being determined by discounting the royalty fee expected to be saved during their useful life assuming the Group owned the trademark and proprietary technology. The royalty saving rate is 7.5% and the weighted average cost of capital was 12%. The fair value of the intangible assets would decrease if royalty saving rate was lower than 7.5% or the weighted average cost of capital was higher than 12%.

33. ACQUISITION OF A SUBSIDIARY (Continued)**Oxford Genetics Limited** (Continued)**Goodwill arising on acquisition**

	Amount <i>RMB'000</i>
Fair value of consideration transferred, satisfied by cash	872,863
Less: fair value of net assets acquired	<u>(300,903)</u>
Goodwill arising on acquisition	<u>571,960</u>

Goodwill arising on this acquisition is not expected to be deductible for tax purposes.

Net cash outflow on acquisition of a subsidiary

	Amount <i>RMB'000</i>
Cash consideration paid	872,863
Less: Bank balances and cash acquired	<u>(31,285)</u>
	<u>841,578</u>

No material acquisition related costs were incurred.

Impact of acquisition on the results of the Group

Oxgene contributed revenue of RMB11,660,000 and loss of RMB24,955,000 for the period from the date of acquisition to June 30, 2021. If the acquisition had been completed on January 1, 2021, total revenue of the Group for the period ended June 30, 2021 would have been RMB10,541,890,000 and profit for the period of the Group ended June 30, 2021 would have been RMB2,669,953,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of the Group that actually would have been achieved had the acquisition been completed on January 1, 2021, nor is it intended to be a projection of future results.

34. RELATED PARTY TRANSACTIONS AND BALANCES

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operational decisions. Parties are also considered to be related if they are subject to common control. Members of key management and their close family members of the Group are also considered as related parties.

The following significant transactions were carried out between the Group and its related parties during the periods presented. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

34. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(1) Names and relationships with related parties

Same as disclosed elsewhere in the condensed consolidated financial statement, the following companies are significant related parties of the Group that had transactions and/or balances with the Group during the periods presented in the condensed consolidated financial statements.

Company	Relationship
Faxian Therapeutics, LLC.	Joint venture
Shanghai Waigaoqiao WuXi AppTec Incubator Management Co., Ltd.	Joint venture
WuXi MedImmune Biopharmaceutical Co. Limited.	Joint venture
Jing Medicine Technology (Shanghai) Ltd.	Associate
PhageLux Inc.	Associate
WuXi AppTec ZK (Suzhou) Bioscience Ltd.	Fellow subsidiary
Chengdu kangderenze Real Estate Co., Ltd	Fellow subsidiary
Wuxi Diagnostic Lab (Shanghai) Co., Ltd.	Fellow subsidiary
Wuxi Diagnostic Medical Testing Institute (Shanghai) Co., Ltd	Fellow subsidiary
WuXi HealthNet (Shanghai) Co., Ltd.	Fellow subsidiary
Mingma Technologies Co., Ltd. (formerly known as "WuXi NextCode Genomics (Shanghai) Co., Ltd.")	Fellow subsidiary
WuXi Diagnostics Management (Shanghai) Co., Ltd.	Fellow subsidiary
WuXi NextCode Technology (Shanghai) Co., Ltd.	Fellow subsidiary
WuXi Biologics Co., Ltd.	Entity significantly influenced by one or more of the ultimate Controlling Shareholders
WuXi Biologics (Shanghai) Co., Ltd.	Entity significantly influenced by one or more of the ultimate Controlling Shareholders
WuXi Biologics (Hong Kong) Limited	Entity significantly influenced by one or more of the ultimate Controlling Shareholders
WuXi Biologics USA, LLC	Entity significantly influenced by one or more of the ultimate Controlling Shareholders
WuXi Biologics Conjugation Co., Ltd.	Entity significantly influenced by one or more of the ultimate Controlling Shareholders
WuXi Biologics (Zhejiang) Pharmaceutical Sci & Tech Co., Ltd.	Entity significantly influenced by one or more of the ultimate Controlling Shareholders
WuXi Biopharmaceuticals (Shanghai) Co., Ltd.	Entity significantly influenced by one or more of the ultimate Controlling Shareholders
Bestchrom (Shanghai) Biosciences Co. Ltd.	Entity significantly influenced by one or more of the ultimate Controlling Shareholders
D3 Bio, Inc.	Entity significantly influenced by one or more of the ultimate Controlling Shareholders
MeadowSpring LLC ("MeadowSpring")	Entity controlled by a key management personnel of the Group

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

34. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(2) Related party transactions:

Same as disclosed elsewhere in the condensed consolidated financial statement, the Group entered into the following transactions with its related parties.

(a) Provision of research and development service

	<u>Six months ended June 30,</u>	
	<u>2021</u> <i>RMB'000</i> (Unaudited)	<u>2020</u> <i>RMB'000</i> (Unaudited)
Joint ventures	7,030	12,285
An associate	5,324	1,630
A fellow subsidiary	364	693
Entities significantly influenced by one or more of the ultimate Controlling Shareholders	45,893	9,008
	58,611	23,616

(b) Provision of administrative service

	<u>Six months ended June 30,</u>	
	<u>2021</u> <i>RMB'000</i> (Unaudited)	<u>2020</u> <i>RMB'000</i> (Unaudited)
An associate	—	1,422
A fellow subsidiary	1	—
Entities significantly influenced by one or more of the ultimate Controlling Shareholders	410	2,787
	411	4,209

(c) Sales of raw materials

	<u>Six months ended June 30,</u>	
	<u>2021</u> <i>RMB'000</i> (Unaudited)	<u>2020</u> <i>RMB'000</i> (Unaudited)
An associate	—	43
A fellow subsidiary	—	1
An entity significantly influenced by one or more of the ultimate Controlling Shareholders	—	54
	—	98

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

34. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(2) Related party transactions: (Continued)

(d) Provision of premises sub-leasing services

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Entities significantly influenced by one or more of the ultimate Controlling Shareholders	615	652

(e) Research and development service received

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Fellow subsidiaries	2,381	1,958
An entity significantly influenced by one or more of the ultimate Controlling Shareholders	382	524
	2,763	2,482

(f) Sales of property and equipment

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Entities significantly influenced by one or more of the ultimate Controlling Shareholders	157	63
A fellow subsidiary	5	—
	162	63

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

34. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(2) Related party transactions: (Continued)

(g) Rental expenses

	Six months ended June 30,	
	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Unaudited)
A joint venture	266	1,597
A fellow subsidiary	—	319
	266	1,916

Note: The Group elects to account for lease payments as an expense on a straight-line basis over the lease term for leases with a lease term of 12 months or less and containing no purchase options or leases where the underlying asset has a low value when new.

(h) Interest expenses on lease liabilities

	Six months ended June 30,	
	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Unaudited)
A joint venture	131	51
A fellow subsidiary	194	74
	325	125

(i) Depreciation charge on right-of-use assets

	Six months ended June 30,	
	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Unaudited)
A joint venture	959	413
A fellow subsidiary	2,426	586
	3,385	999

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

34. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(2) Related party transactions: (Continued)

(j) Purchase of property and equipment

	Six months ended June 30,	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Fellow subsidiaries	1	—

(k) Administrative service received

	Six months ended June 30,	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
A fellow subsidiary	137	77

(l) Sequencing service received

	Six months ended June 30,	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
A fellow subsidiary	1,081	2,516

(m) Purchase of raw materials

	Six months ended June 30,	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Entities significantly influenced by one or more of the ultimate Controlling Shareholders	1,274	483
A fellow subsidiary	2	—
	1,276	483

34. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)**(2) Related party transactions:** (Continued)**(n) Additions of right-of-use assets and additions of lease liability**

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
A joint venture	9,277	2,973
A fellow subsidiary	7,689	—
	16,966	2,973

(o) Equity transactions

On March 8, 2021, WuXi AppTec Investment & Development Co., Ltd. (“WuXi Investment”), a subsidiary of the Group, entered into the Articles of Association with MeadowSpring, Firstred Capital and Suzhou Kington Capital Holdings Co., Ltd. to establish WuXi Huiju. Pursuant to the Articles of Association, WuXi Investment has contributed RMB45 million (equivalent to approximately HK\$53.91 million), representing 45% of the registered capital of WuXi Huiju. MeadowSpring is controlled by Mr. Edward Hu, an executive Director of the Group and therefore, MeadowSpring is a connected person of the Group.

(3) Related party balances:**AMOUNTS DUE FROM RELATED PARTIES**

	As at	As at
	June 30,	December 31,
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Trade related		
Trade receivables	21,638	56,105
Non-trade related		
Other receivables	3,560	780
Other non-current assets	1,550	419
Total amounts due from related parties	26,748	57,304

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

34. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(3) Related party balances: (Continued)

AMOUNTS DUE FROM RELATED PARTIES (Continued)

The Group allows a credit period ranging from 60 to 90 days to its customers. The following is an aging analysis of trade related amounts due from related parties (net of allowance for doubtful debts) presented based on the invoice dates, at the end of the period or year presented in the condensed consolidated financial statements:

	As at June 30, 2021 RMB'000 (Unaudited)	As at December 31, 2020 RMB'000 (Audited)
Within 90 days	21,638	56,105

In determining the recoverability of the trade related amounts due from related parties, the Group considers any change in the credit quality of the trade related amount due from related parties from the date on which the credit was initially granted up to the reporting date. The credit quality of the trade related amounts due from related parties that are neither past due nor impaired had not changed during the period/year presented in the condensed consolidated financial statements.

Details of amounts due from related parties are set out in below:

Trade related	As at June 30, 2021 RMB'000 (Unaudited)	As at December 31, 2020 RMB'000 (Audited)
Trade receivables		
Associates	3,024	1,687
A Joint venture	1,914	1,521
Entities significantly influenced by one or more of the ultimate Controlling Shareholders	16,700	52,897
	21,638	56,105

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

34. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(3) Related party balances: (Continued)

AMOUNTS DUE FROM RELATED PARTIES (Continued)

Non-trade related	As at June 30, 2021 RMB'000 (Unaudited)	As at December 31, 2020 RMB'000 (Audited)
Other receivables Entities significantly influenced by one or more of the ultimate Controlling Shareholders	3,551	60
Fellow subsidiaries	9	720
	3,560	780

Other receivables from related parties are all unsecured, repayable on demand and interest free.

Included in the contract assets of the Group are amounts RMB2,057,000 due to a joint venture and an entity significantly influenced by a controlling shareholder fellow subsidiary of the Group as at June 30, 2021 (December 31, 2020: RMB1,462,000).

AMOUNTS DUE TO RELATED PARTIES

Non-trade related	As at June 30, 2021 RMB'000 (Unaudited)	As at December 31, 2020 RMB'000 (Audited)
Considerations received from key management personnel for subscribing restricted A shares of the Company under the WuXi AppTec A Share Incentive Scheme	12,886	22,967
Other payable A fellow subsidiary	43	100
	12,929	23,067

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

34. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(3) Related party balances: (Continued)

AMOUNTS DUE TO RELATED PARTIES (Continued)

Trade related	As at June 30, 2021 RMB'000 (Unaudited)	As at December 31, 2020 RMB'000 (Audited)
Trade payables		
An entity significantly influenced by one or more of the ultimate Controlling Shareholders	—	767
Fellow subsidiaries	—	11
	—	778

Included in the contract liabilities of the Group are amounts of RMB12,886,000 received from related parties in advance of delivery of services as at June 30, 2021 (December 31, 2020: RMB11,270,000).

Included in the right-of-use assets of the Group are amounts RMB18,672,000 due to a joint venture and a fellow subsidiary of the Group as at June 30, 2021 (December 31, 2020: RMB5,091,000).

Included in the lease liabilities of the Group are amounts RMB18,440,000 due to a joint venture and a fellow subsidiary of the Group as at June 30, 2021 (December 31, 2020: RMB5,306,000).

(4) Compensation of key management personnel

The remuneration of the directors of the Company and other members of key management of the Group for the six months ended June 30, 2021 and 2020 are as follows:

	Six months ended June 30,	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Salaries and other benefits	17,788	19,660
Performance-based bonus	14,270	11,182
Share-based compensation	15,842	8,461
	47,900	39,303

The remuneration of key management is determined with reference to the performance of the individuals and market trends.

35. SUBSEQUENT EVENTS

The Group has the following events taken place subsequent to June 30, 2021.

On July 31, 2021, STA, a subsidiary of the Company completed the acquisition of a drug product manufacturing facility in Couvet, Switzerland (“Couvet site”) from Bristol Myers Squibb for a cash consideration of approximately USD27,034,000 (equivalent to approximately RMB174,645,000). The Couvet site is a state-of-the-art manufacturing facility with commercial-scale production capacity for capsule and tablet dosage forms. The facility was designed with industry leading energy efficiency and environmental standards and was constructed to accommodate future growth.

Definitions

In this interim report, unless the context otherwise requires, the following expressions shall have the following meanings:

“2018 A Share Incentive Plan”	the Restricted A Shares and Stock Option Incentive Plan of 2018 adopted by the Company on August 22, 2018
“2018 Reserved Grant”	the grant of reserved interests subsequent to the initial grant under the 2018 A Share Incentive Plan
“2019 A Share Incentive Plan”	the Restricted A Shares and Stock Option Incentive Plan of 2019 adopted by the Company on September 20, 2019
“2019 Adjusted Initial Grant”	the adjusted initial grant of 13,400,273 Restricted A Shares and 5,039,904 Share Options
“2019 Profit Distribution Plan”	the profit distribution plan of the Company for the year ended December 31, 2019 including the Capitalization of Reserve and Profit Distribution as defined in the circular of the Company dated March 31, 2020 therein
“2019 Share Appreciation Scheme”	the Share Appreciation Incentive Scheme of 2019 adopted by the Company on September 20, 2019
“2020 AGM”	the annual general meeting of the Company held on May 13, 2021
“2020 Capitalization of Reserve”	the issuance of 2 2020 Capitalization Shares for every 10 Shares by way of capitalization of reserve under the 2020 Profit Distribution Plan
“2020 Capitalization Shares”	the new Shares to be allotted and issued under the 2020 Capitalization of Reserve by the Company
“2020 Profit Distribution”	the proposed distribution of cash dividend of RMB3.63 for every 10 Shares (inclusive of tax) under the 2020 Profit Distribution Plan
“2020 Profit Distribution Plan”	the profit distribution plan of the Company for the year ended December 31, 2020, which includes the 2020 Capitalization of Reserve and the 2020 Profit Distribution as defined in the circular of the Company dated April 9, 2021
“2021 Actual Selling Price”	the actual price at which the 2021 Award Shares are sold (net of brokerage, stamp duty, any taxes, Stock Exchange trading fee, SFC transaction levy and any other applicable costs) on vesting of a 2021 Award pursuant to the 2021 Scheme or in the case of a vesting when there is an event of change in control or privatisation of the Company pursuant to the 2021 Scheme Rules, the consideration receivable under the related scheme or offer

“2021 Award”	an award granted by the Board to a 2021 Selected Participant, which may vest in the form of 2021 Award Shares or the 2021 Actual Selling Price of the 2021 Award Shares in cash, as the Board may determine in accordance with the terms of the 2021 Scheme Rules
“2021 Award Period”	the period commencing on the date on which the Shareholders approved the 2021 H Share Award and Trust Scheme, and ending on the Business Day immediately prior to the 10th anniversary of the date on which the Shareholders approved the 2021 H Share Award and Trust Scheme
“2021 Award Shares”	the H Shares granted to a 2021 Selected Participant in a 2021 Award
“2021 Connected Selected Participants”	2021 Selected Participants under the 2021 Scheme who are connected persons of the Group, being Dr. Ge Li, Mr. Edward Hu, Dr. Steve Qing Yang, Mr. Zhaohui Zhang, Dr. Shuhui Chen, Dr. Minzhang Chen, Dr. Ning Zhao, Mr. Guodong Tong, Mr. Ellis Bih-Hsin Chu, Ms. Hui Xu, Ms. Wendy J. Hu, Mr. Harry Liang He and Ms. Minfang Zhu
“2021 Delegatee(s)”	the Management Committee or person(s) or board committee(s) to which the Board will delegate its authority in connection with matters pertaining to the 2021 Scheme
“2021 Eligible Employee(s)”	any individual, being a Director, supervisor, senior management, mid-level manager, basic-level manager, backbone member of the technicians, other technician, who is a full-time PRC or non-PRC employee of any members of the Group, and whose performance appraisal results for the most recent two consecutive years are A- or above for any one year and B (excluding B-) or above for the other year; however, no individual who is resident in a place where the grant, acceptance or vesting of an Award pursuant to the 2021 Scheme is not permitted under the laws and regulations of such place or where, in the view of the Board or the 2021 Delegatee, compliance with applicable laws and regulations in such place makes it necessary or expedient to exclude such individual, shall be entitled to participate in the 2021 Scheme and such individual shall therefore be excluded from the term 2021 Eligible Employee
“2021 H Share Award and Trust Scheme” or “2021 Scheme”	the 2021 H Share award and trust scheme adopted by the Company in accordance with the 2021 Scheme Rules
“2021 Scheme Limit”	means the maximum size of the 2021 Scheme, being the maximum number of H Shares that will be acquired by the 2021 Trustee through on-market transactions from time to time at the prevailing market price with funds in the amount of not more than HK\$2 billion

Definitions

“2021 Scheme Rules”	the rules governing the operation of the 2021 Scheme as well as the implementation procedures (as amended from time to time)
“2021 Selected Participant(s)”	any 2021 Eligible Employee who is approved for participation in the 2021 Scheme and has been granted any 2021 Award in accordance with the 2021 Scheme Rules
“2021 Shareholder Alignment Incentive H Share Scheme” or “SAI”	the 2021 Shareholder Alignment Incentive H Share Scheme proposed to be adopted by the Company in accordance with the 2021 Shareholder Alignment Incentive H Share Scheme Rules
“2021 Shareholder Alignment Incentive H Share Scheme Rules”	the rules governing the operation of the 2021 Shareholder Alignment Incentive H Share Scheme as well as the implementation procedures (as amended from time to time)
“2021 Trustee”	the trustee appointed by the Company for the purpose of the trust to service the 2021 Scheme, and initially, Computershare Hong Kong Trustees Limited, a company incorporated in Hong Kong and having its registered office at 46th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong
“A Share IPO”	issuance of 104,198,556 A Shares by the Company to the public on April 13, 2018, which were listed on Shanghai Stock Exchange on May 8, 2018
“A Share Listing”	the initial public offering of its A Shares on the Shanghai Stock Exchange on May 8, 2018
“A Share Prospectus”	the prospect issued by the Company under the A Share Listing
“A Share(s)”	domestic shares of our Company, with a nominal value of RMB1.00 each, which are listed for trading on the Shanghai Stock Exchange and traded in RMB
“AAV”	adeno-associated virus
“Ambrx”	Ambrx Biopharma Inc.
“Articles of Association”	the articles of association of the Company as amended from time to time
“Audit Committee”	the audit committee of the Board
“Award”	an award granted by the Board to a Selected Participant, which may vest in the form of Award Shares or the Actual Selling Price of the Award Shares in cash, as the Board may determine in accordance with the terms of the Scheme Rules
“Award Shares”	the H Shares granted to a Selected Participant in an Award

“BLA”	Biologics License Application
“Board of Directors” or “Board”	our board of Directors
“Bonds” or “Convertible Bonds”	USD300 million zero coupon convertible bonds due 2024 convertible at the option of the holder thereof into fully paid ordinary H Shares of the Company of par value RMB1.00 each at the adjusted conversion price of HKD66.17 per H Share
“Business Day”	any day on which the Stock Exchange is open for the business of dealing in securities
“Capitalization of Reserve”	the proposed issuance of 4 Capitalization Shares for every 10 Shares by way of capitalization of reserve under the 2019 Profit Distribution Plan
“Capitalization Shares”	the new Shares to be allotted and issued under the Capitalization of Reserve by the Company
“CDMO”	Contract Development and Manufacturing Organization, a CMO that in addition to comprehensive drug manufacturing services, also provide process development and other drug development services in connection with its manufacturing services
“CG Code”	the “Corporate Governance Code” as contained in Appendix 14 to the Listing Rules
“cGMP”	Current Good Manufacturing Practice regulations, regulations enforced by the FDA on pharmaceutical and biotech firms to ensure that the products produced meet specific requirements for identity, strength, quality and purity
“Changzhou STA”	Changzhou STA Pharmaceutical Co., Ltd.* (常州合全藥業有限公司)
“China” or “PRC”	the People’s Republic of China, which for the purpose of this interim report and for geographical reference only, excludes Hong Kong Macau and Taiwan
“CMO”	Contract Manufacturing Organization, a company that serves other companies in the pharmaceutical industry on a contract basis to provide comprehensive drug manufacturing services

Definitions

“Company”, “our Company”, “WuXi AppTec”, “Group”, “our Group”, “We” “our”, “us”	WuXi AppTec Co., Ltd* (無錫藥明康德新藥開發股份有限公司), a joint stock limited company incorporated under the laws of the PRC, the predecessor of which, WuXi AppTec Ltd. (無錫藥明康德新藥開發有限公司) (formerly known as WuXi PharmaTech Co., Ltd. (無錫藥明康德組合化學有限公司)) was established under the laws of the PRC as an enterprise legal person in December 2000, the A Shares of which are listed on the Shanghai Stock Exchange (stock code: 603259) and the H shares of which are listed on the Hong Kong Stock Exchange (stock code: 02359) and if the context requires, includes its predecessor
“Connected Selected Participant(s)”	Selected Participants under the H Share Award and Trust Scheme who are connected persons of the Group, being Dr. Ge Li, Mr. Edward Hu, Dr. Steve Qing Yang, Mr. Zhaohui Zhang, Dr. Ning Zhao, Mr. Ellis Bih-Hsin Chu, Dr. Minzhang Chen, Dr. Shuhui Chen, Mr. Harry Liang He, Ms. Minfang Zhu, Ms. Wendy J. Hu and Ms. Cuiping Hu
“CRO”	Contract Research Organization
“CTA”	Clinical Trial Authorization
“Delegatee”	the management committee of the H Share Award and Trust Scheme, consisting of the Chairman and Chief Executive Officer Dr. Ge Li, the Vice Chairman Mr. Edward Hu, and the person-in-charge of the human resources department, financial department and legal department of the Company, to which the Board will delegate its authority to administer the H Share Award and Trust Scheme, person(s) or board committee(s) to which the Board will delegate its authority
“Director(s)”	the director(s) of the Company or any one of them
“DMPK”	Drug Metabolism and Pharmacokinetics, refers to studies designed to determine the absorption and distribution of an administered drug, the rate at which a drug takes effect, the duration a drug maintains its effects and what happens to the drug after being metabolized by the body
“EBITDA”	Earnings before Interest, Tax, Depreciation and Amortization
“eCTD”	Electronic Common Technical Document
“EGM”	the extraordinary general meeting of the Company held on August 30, 2021

“Eligible Employee(s)”	any individual, being a Director, supervisor, senior management, mid-level manager, basic-level manager, backbone member of the technicians, other technician, who is a full-time PRC or non-PRC employee of any members of the Group; however, no individual who is resident in a place where the grant, acceptance or vesting of an Award pursuant to the H Share Award and Trust Scheme is not permitted under the laws and regulations of such place or where, in the view of the Board or the Delegatee, compliance with applicable laws and regulations in such place makes it necessary or expedient to exclude such individual, shall be entitled to participate in the H Share Award and Trust Scheme and such individual shall therefore be excluded from the term Eligible Employee
“FDA”	Food and Drug Administration in the U.S.
“Firstred”	Firstred Capital Co., Ltd.* (晨壹投資有限公司), a company established under the laws of the PRC with limited liability
“Founding Individuals”	Dr. Ge Li, Dr. Ning Zhao, Mr. Xiaozhong Liu and Mr. Zhaohui Zhang
“FVTPL”	Fair Value Through Profit or Loss
“General Partner”	the Joint Venture Company
“Genesis”	Genesis Medtech Group Limited
“Global Offering”	the Hong Kong public offering and the international offering as described in the Prospectus
“GMP”	Good Manufacturing Practice, a quality system imposed on pharmaceutical firms to ensure that products produced meet specific requirements for identity, strength, quality and purity, and enforced by public agencies, for example the U.S. FDA
“Group”, “our Group”	the Company and its subsidiaries
“H Share(s)”	overseas listed foreign shares in the share capital of our Company with nominal value of RMB1.00 each, which are listed on the Stock Exchange
“H Shareholder(s)”	holder(s) of H Share(s)
“H Share Award and Trust Scheme”	the H Share award and trust scheme proposed adopted by the Company in accordance with the Scheme Rules
“HKD” or “Hong Kong dollars”	Hong Kong dollars and cents, both are the lawful currency of Hong Kong

Definitions

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Hygeia”	Hygeia Healthcare Holdings Co., Limited
“IFRS”	International Financial Reporting Standards
“Incentive Participants”	the persons to be granted Restricted A Shares, Share Options or share appreciation rights under the 2019 Share Incentive Plan, including the Company’s Directors, senior management, mid-level management, backbone members of technicians, basic-level management and other technicians, and incentive participants under the 2019 A Share Incentive Plan
“IND”	Investigational New Drug
“Initial Grant”	the initial grant of 13,657,803 Restricted A Shares and 5,292,174 Share Options upon adoption of the 2019 A Share Incentive Plan
“Joint Venture Company”	Suzhou WuXi Huiju Private Equity Fund Management Co., Ltd.* (蘇州藥明匯聚私募基金管理有限公司) (the name is subject to the final approval by the relevant industry and commerce authorities of the PRC), the joint venture company to be established in the PRC
“JW Cayman”	JW (Cayman) Therapeutics Co., Ltd.
“Limited Partners”	collectively, WuXi Investment, MeadowSpring, Jiaxing Firstred and Suzhou Yisu
“Listing”	the listing of the H Shares on the Main Board of the Stock Exchange on December 13, 2018
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (as amended from time to time)
“Lyell”	Lyell Immunopharma, Inc.
“Management Committee”	the management committee of the 2021 Scheme, comprising the Chairman and Chief Executive Officer Dr. Ge Li, the Vice Chairman and Global Chief Investment Officer Mr. Edward Hu, the co-Chief Executive Officer Dr. Steve Qing Yang, the vice president Dr. Minzhang Chen, the vice president Dr. Ning Zhao, and the person-in-charge of the human resources department, financial department and legal department of the Company, to whom the Board will delegate its authority to administer the 2021 Scheme

“MDR”	medical device regulation
“MeadowSpring”	MeadowSpring LLC, a limited liability company incorporated under the laws of Nevada, the U.S.
“M&A”	merger and acquisition
“Model Code”	the “Model Code for Securities Transactions by Directors of Listed Issuers” set out in Appendix 10 to the Listing Rules
“NanoMicro”	Suzhou Nanomicro Technology CO., LTD
“NASDAQ”	National Association of Securities Dealers Automated Quotations
“NMPA”	National Medical Products Administration
“Non-public Issuance of A Shares”	the non-public issuance of 62,690,290 A Shares by the Company to specific subscribers
“Oxgene”	Oxford Genetics Limited
“Partnership”	Suzhou Qunying Investment Management Partnership (Limited Partnership)* (蘇州群英投資管理合夥企業(有限合夥)) (the name is subject to the final approval by the relevant industry and commerce authorities of the PRC), the limited partnership to be formed under the laws of the PRC pursuant to the terms of the Partnership Agreement
“Partnership Agreement”	the partnership agreement to be entered into by and among the General Partner and the Limited Partners
“Profit Distribution”	the proposed distribution of cash dividend of RMB3.37 for every 10 Shares (inclusive of tax) under the 2019 Profit Distribution Plan
“Prospectus”	the prospectus issued by the Company dated December 3, 2018
“R&D”	research and development
“Reporting Period”	the six months ended June 30, 2021
“Reserved Grant”	any grant of reserved interests subsequent to the initial grant under the 2019 A Share Incentive Plan
“Reserved Interests”	reserved interests of 2,947,774 units, representing 10% of the total interests to be granted under the 2019 A Share Incentive Plan, which may be granted as Restricted A Shares or Share Options for further distribution
“Restricted A Shares”	the restricted A Shares granted by the Company under the 2018 A Share Incentive Plan and/or the 2019 Share Incentive Plan

Definitions

“RMB”	Renminbi, the lawful currency of the PRC
“SAI Award”	an award granted by the Board to a SAI Selected Participant under any of the SAI Award Pools which may vest in the form of SAI Award Shares or the 2021 Actual Selling Price of the SAI Award Shares in cash, as the Board may determine in accordance with the terms of the 2021 Shareholder Alignment Incentive H Share Scheme Rules
“SAI Award Pools”	the four (4) award pools under the 2021 Shareholder Alignment Incentive H Share Scheme with monetary values of HK\$1 billion, HK\$1.5 billion, HK\$2 billion and HK\$3 billion, respectively, which may be released upon the fulfilment of relevant release conditions for the grant of SAI Awards to the SAI Selected Participants under these award pools
“SAI Award Shares”	the H Shares granted to a SAI Selected Participant in a SAI Award granted under any of the SAI Award Pools
“SAI Connected Selected Participants”	SAI Selected Participants who are connected persons of the Group, being Dr. Ge Li, Mr. Edward Hu, Dr. Steve Qing Yang, Mr. Zhaohui Zhang, Dr. Shuhui Chen, Dr. Minzhang Chen, Dr. Ning Zhao, Mr. Guodong Tong, Mr. Ellis Bih-Hsin Chu, Ms. Hui Xu, Ms. Wendy J. Hu, Mr. Harry Liang He and Ms. Minfang Zhu
“SAI Delegatee”	the SAI Management Committee or person(s) or board committee(s) to which the Board will delegate its authority in connection with matters pertaining to the 2021 Shareholder Alignment Incentive H Share Scheme
“SAI Eligible Employees”	any individual, being any individual, being an executive Director, a supervisor who is an employee of the Company, senior management member, and personnel at the grade of director or above that made high performance contributions and are critical company middle to senior management personnel, who is a full-time PRC or non-PRC employee of any members of the Group, and whose performance appraisal results for the most recent two consecutive years are A- or above for any one year and B (excluding B-) or above for the other year; however, no individual who is resident in a place where the grant, acceptance or vesting of an SAI Award pursuant to the 2021 Shareholder Alignment Incentive H Share Scheme is not permitted under the laws and regulations of such place or where, in the view of the Board or the SAI Delegatee, compliance with applicable laws and regulations in such place makes it necessary or expedient to exclude such individual, shall be entitled to participate in the 2021 Shareholder Alignment Incentive H Share Scheme and such individual shall therefore be excluded from the scope of SAI Eligible Employees

“SAI Management Committee”	the management committee of the 2021 Shareholder Alignment Incentive H Share Scheme, comprising the Chairman and Chief Executive Officer Dr. Ge Li, the Vice Chairman and Global Chief Investment Officer Mr. Edward Hu, the co-Chief Executive Officer Dr. Steve Qing Yang, the vice president Dr. Minzhang Chen, the vice president Dr. Ning Zhao, and the person-in-charge of the human resources department, financial department and legal department of the Company, to whom the Board will delegate its authority to administer the 2021 Shareholder Alignment Incentive H Share Scheme
“SAI Selected Participant”	any SAI Eligible Employee who is approved for participation in the 2021 Shareholder Alignment Incentive H Share Scheme and has been granted any SAI Award under any of the SAI Award Pools in accordance with the 2021 Shareholder Alignment Incentive H Share Scheme Rules
“Scheme Limit”	the maximum size of the H Share Award and Trust Scheme, being the maximum number of H Shares that will be acquired by the Trustee through on-market transactions from time to time at the prevailing market price with funds in the amount of not more than HK\$700 million
“Scheme Rules”	the rules governing the operation of the H Share Award and Trust Scheme as well as the implementation procedures (as amended from time to time)
“Second Exercisable Period”	From the first trading day after 24 months from the date of the 2018 Reserved Grant to the last trading day on the Shanghai Stock Exchange within 36 months from the date of the 2018 Reserved Grant
“Selected Participant(s)”	any Eligible Employee who is approved for participation in the H Share Award and Trust Scheme and has been granted any Award in accordance with the Scheme Rules
“Share Options”	share options granted under the 2018 A Share Incentive Plan and/or the 2019 A Share Incentive Plan
“Share(s)”	ordinary shares in the capital of our Company with a nominal value of RMB1.00 each, comprising A Shares and H Shares
“Shareholder(s)”	holder(s) of Shares
“SMO”	Site Management Organization
“STA”	Shanghai SynTheAll Pharmaceutical Co., Ltd* (上海合全藥業股份有限公司)

Definitions

“STA Pharmaceutical”	STA Pharmaceutical Hong Kong Investment Limited (合全藥業香港投資有限公司), a limited liability company incorporated under the laws of Hong Kong
“STA Shares”	Shares of STA
“Suzhou Private Capital”	Suzhou Private Capital Investment Holdings Co., Ltd* (蘇州民營資本投資控股有限公司), a company established under the laws of the PRC with limited liability
“Trustee”	the trustee appointed by the Company for the purpose of the trust to service the H Share Award and Trust Scheme, and initially, Computershare Hong Kong Trustees Limited, a company incorporated in Hong Kong and having its registered office at 46th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong
“USD”	United States dollars, the lawful currency of the United States
“WIND”	WuXi IND
“WuXi Biologics”	WuXi Biologics (Cayman) Inc. (藥明生物技術有限公司) (stock code: 2269), a company incorporated under the laws of Cayman Islands with limited liability on February 27, 2014, the shares of which were listed on the Main Board of the Stock Exchange on June 13, 2017
“WuXi Investment”	WuXi AppTec Investment & Development Co., Ltd.* (無錫藥明康德投資發展有限公司), a company incorporated in the PRC and a wholly-owned subsidiary of the Company
“YoY”	year-over-year
“%”	percentage