WUXI APPTEC CO., LTD.*
無錫藥明康德新藥開發股份有限公司
(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 2359)

CLARIFICATION ANNOUNCEMENT

This announcement is made by WuXi AppTec Co., Ltd.* (無錫藥明康德新藥開發股份有限公司) (the "**Company**") to clarify certain recent media reports involving the Company.

I. BACKGROUND

Recently, the Company noted that there have been certain media reports on the Company involving distortion of facts regarding the capital injection of its shareholders and the formation of its share capital, the performance assessment requirements of its share incentive schemes and certain financial information of the Company (the "**Relevant Reports**"). As the contents of the Relevant Reports are inaccurate and untrue, to avoid causing any misleading confusion to the investors, the Company has verified the matters involved and would like to make the following clarifications and explanations.

II. CLARIFICATIONS AND EXPLANATIONS

(I) Explanation on the capital injection by shareholders and the formation of share capital

There has never been any "abrupt capital injection at unreasonable low prices by substantial shareholders prior to the IPO" during the formation of the Company share capital as stated in the Relevant Reports. The formation of and previous changes in the Company's shareholding were conducted in compliance with relevant laws and regulations and the requisite internal and external approvals were obtained. The details of related information were disclosed in the sections headed "III. Formation of and changes in the issuer's share capital" and "IV. Establishment and removal of the overseas listing structure of the issuer and its related parties" in "Section 5 Basic information of the issuer" in the prospectus (the "**Prospectus**") published for the listing of the Company's A shares (the "**IPO**").

The transaction regarding the "abrupt capital injection" prior to the IPO on March 14, 2016 as stated in the Relevant Reports was actually part of the reorganization of the shareholding structure by investors in preparation for the IPO, the purpose of which was to enable investors that participated in the Company's prior delisting from the New York Stock Exchange (the "**Delisting**") to directly hold the Company's equity through the entities established by themselves and/or their designated related parties. The consideration of the transaction was reasonably determined in accordance with applicable laws solely for the purpose of intra-group shareholding adjustment carried out by each of the investors who participated in the Delisting. The actual cost for the acquisition of the Company's shares by relevant investors was settled on December 10, 2015 by way of payment of the consideration in respect of the Delisting. Please refer to the section headed "Section 5 Basic information of the issuer — IV. Establishment and removal of the overseas listing structure of the issuer and its related parties — (III) Wuxi Cayman's delisting process — 2. Reorganization after delisting from the NYSE — (2) Equity transfer" in the Prospectus for details.

Investors that participated in the Delisting and their corresponding entities that held the Company's shares after the IPO reorganization as well as the cost paid by them for the Delisting are shown in the table below:

Institutional investors that participated in the Delisting (which became indirect shareholders of the Company on December 10, 2015)	Shareholders that are said to have injected capital abruptly prior to the IPO in the reports (which were entities established by investors that participated in the Delisting in the left column and/or their designated related parties, and became direct shareholders of the Company through internal reorganization of shareholding structure on March 14, 2016)	Amount of investment involved in the Delisting transaction (US$0'000)
Glorious Sunshine Limited	Glorious Moonlight Limited	65,128.41
	Jiashi Kangheng (Tianjian) Investments Partnership (Limited Partnership)	
Summer Bloom Investments Pte. Ltd.	Summer Bloom Investments (I) Pte. Ltd.	33,000.00
ABG-WX (HK) Limited	ABG-WX Holding (HK) Limited	30,000.00
Hillhouse Capital Fund II, L.P.	HCFII WX (HK) Holdings Limited	20,005.90
Pingan WX Pharm Limited	Shanghai Jinyao Investment Management Co., Ltd. *(Note)*	20,000.00
	Total	**168,134.31**

Note: Another shareholder, Shenzhen Pingan Real Estate Investment Co., Ltd., which was mentioned in the Relevant Reports, directly subscribed for 0.5332% of the new registered capital of the Company at a fair price of RMB200,000,000 after the completion of the Delisting. Shenzhen Pingan Real Estate Investment Co., Ltd. and Shanghai Jinyao Investment Management Co., Ltd. were under common control of Ping An Insurance (Group) Company of China Ltd..

(II) *Explanation on performance assessment requirements under the share incentive schemes*

The Company has always upheld the core values of "Integrity & Dedication, Working Together & Sharing Success" (「誠實敬業、共苦共享」). The share incentives are granted to employees to attract and retain talents, which is a clear embodiment of such core values. In addition, share incentive is also an important measure to improve the overall compensation structure of the Company, enabling the Company to establish a sound compensation system with complementary and compatible short-term, mid-term and long-term incentives.

The Company has adopted the following criteria and logics in its share incentive schemes:

(1) A broad scope of incentive participants which covers basic-level scientific research and production management personnel whose positions are team leaders and above, while tilting towards the backbone members in core technology (business) in the distribution of incentives. The 2018 incentive plan covered 1,528 employees, and the 2019 incentive plan covered 2,534 employees.

(2) Setting scientific and reasonable evaluation targets, including the performance evaluation on company level and individual level, and ensuring compliance with the regulatory requirements of relevant laws and regulations on the setting of evaluation indicators. With regard to the performance evaluation on company level, the operating revenue growth was selected as the performance indicator primarily because compared with net profit growth, the operating revenue growth can better measure the operation condition and market share of the Company given that the operating revenue and the operating cost of the Company is mainly settled in US dollar and RMB, respectively, coupled with the relatively considerable fluctuation of exchange rate of RMB to US dollar in recent years. On the other hand, the Company is committed to developing the pharmaceutical and healthcare ecosystem and it has made certain investments in the industry. The Company began to adopt new financial instrument standards to recognize the fair value of the investment projects and included the current profit and loss into the income statement since 2018. Under the new accounting standards, the change of the fair value of the investment portfolios of the Company can cause fluctuation of profit whilst such fluctuation cannot objectively reflect the operation status of the principal business of the Company. Therefore, the operating revenue from the Company's principal business is an effective indicator that can better reflect the development trend and growth of the Company's principal business. For the individual performance evaluation on employees, the Company has developed the relatively rigorous and comprehensive Employee Performance Management System based on the characteristics of its own business and the industry,

and is able to make relatively accurate and comprehensive evaluation on the performance of the employees. The Company will conduct annual comprehensive assessment on the incentive participants in accordance with the Employee Performance Management System, and determine if the relevant employees' performance appraisal result has achieved the performance targets.

(3) The objective result of the share incentive schemes is outstanding. Based on the implementation status of the share incentive schemes of the Company by far, the Company believes that the expected results for implementing such share incentive schemes has been achieved fundamentally. The retention rate of the employees who were granted with under the 2018 incentive plan exceeded 96% as of June 30, 2019, which reflected the high degree of recognition and participation of the employees on the share incentive schemes, thereby improving the job stability and enthusiasm of the employees, which in return can ensure the sustained stable performance growth of the Company. The growth of Company's actual operating revenue and the net profit after deducting non-recurring gains and losses attributable to the shareholders of the Company in the relevant period as of the first half of 2019 exceeded the requirements for unlocking the incentive under the schemes. The Company believes that the outstanding business performance of the Company is closely related to the incentive culture of the Company and the implementation of the employee share incentive schemes, which has effectively demonstrated the constructive effect of the share incentive schemes.

1. The incentive plan in 2018

In 2018, the Company implemented the first restricted share and share option incentive plan, under which ordinary shares (A-shares) to be granted accounted for 0.85% of the total share capital of the Company as at the time when the incentive plan was announced and 1,528 incentive participants were enrolled, accounting for approximate 10% of the headcount. The unlocking proportion is as follows: 40%, 30% and 30% of the shares subject to sales restriction will be unlocked in 12 months, 24 months and 36 months after the completion of the registration of the initial grant or reserved grant respectively. The performance evaluation requirements of the Company for unlocking the sales restriction are as follows: from 2018 to 2020, the Company's operating revenue shall increase by at least 15%, 30% and 45% from that of 2017, and the employee shall have an individual performance appraisal result score of grade B or above.

With regard to the actual performance, the revenue of the Company for 2018 grew by 23.80% and the net profit after deducting non-recurring gains and losses attributable to the owners of the Company grew by 59.18%, effectively demonstrating the constructive effect of the share incentive.

2. The incentive plan in 2019

In July 2019, the Company implemented the next restricted share and share option incentive plan, under which ordinary shares (A-shares) would be granted to the incentive targets. The incentives to be granted accounted for 1.29% of the total share capital of the Company as at the time when the incentive plan was announced. 2,534 incentive targets were enrolled, accounting for approximately 13% of the headcount. The unlocking proportion is as follows: for the restricted shares (other than the special grant), 40%, 30% and 30% of the shares subject to sales restriction will be unlocked in 12 months, 24 months and 36 months after the completion of the registration of the initial grant or reserved grant respectively; for the restricted shares (under the special grant), 20%, 20%, 20% and 40% will be unlocked as of March 1, 2021, March 1, 2022, March 1, 2023 and March 1, 2024 respectively; for the share options, 40%, 30% and 30% can be exercised in 18 months, 30 months and 42 months after the completion of the initial grant or reserved grant. The performance evaluation requirements of the Company for unlocking the sales restriction of the restricted shares and exercising the share options are as follows: from 2019 to 2021, the Company's operating revenue shall increase by at least RMB1.5 billion, RMB3.0 billion and RMB4.5 billion from that of 2018, and the employee shall have an individual performance appraisal result of grade B or above. The aforesaid restricted share and share option incentive plan is subject to approval at the general meeting of the Company.

In the first half of 2019, the Company's revenue and net profit after deducting non-recurring gains and losses attributable to the owners of the Company grew by 33.68% and 20.05%, respectively, and both maintained fast growth, with the operating revenue enjoying accelerated growth. The share incentive has created further positive effect.

(III) Explanation on the Financial Information

1. Description on the long-term deferred expenses

Based on cost-benefit analysis, the Company operates business in buildings under operating lease in a number of places. The improvement expenses of those leased properties are accounted for in the long-term deferred expenses according to the Accounting Standards for Business Enterprises ("**Standards**"). All of these expenditures were used for items disclosed in the use of proceeds from A share and H share listing or specific projects compatible with the Company's main business capability and required for capacity building, which were consistent with the Company's development strategy.

The long-term deferred expenses of the Company mainly consists of improvement expenses of buildings under operating lease, the respective balance of which as a proportion of the Company's total assets is stable, being at the range of 4.19% — 4.60% for the recent three reporting periods from the end of December 2017 to the end of June 2019. In terms of the overall asset structure, as of the end of June 2019, the aggregate fixed assets and long-term deferred expenses of the Company (including the improvement expenses for self-owned and leased properties) accounted for 19.49% of the Company's total assets (19.99% on December 31, 2018), which should not be considered unreasonable. The main changes in long-term deferred expenses in each year are:

(1) The balance as at the end of 2016 was RMB268 million, representing an increase of RMB191 million from that as at the end of 2015, mainly due to to the fact that the renovation expenses of the laboratory building of WuXi AppTec (Wuhan) Co., Ltd. was transferred from construction in progress into long-term deferred expense when the laboratory was ready for its intended use;

(2) The balance as at the end of 2017 was RMB579 million, representing an increase of RMB311 million from that of 2016, mainly due to the fact that the renovation expenses of its subsidiary in the United States was transferred into long-term deferred expense when it was ready for its intended use;

(3) The balance as at the end of 2018 was RMB1.04 billion, representing an increase of RMB461 million from that as at the end of 2017, mainly including the expenditure in respect of the renovation of the comprehensive office building and the R&D Center for Analysis and diagnostic service of WuXi AppTec (Shanghai) Co., Ltd., the construction of the cell and gene therapy plants in China and the United States, the construction of the new laboratories in Shanghai SynTheAll Pharmaceutical Co., Ltd and WuXi AppTec (Suzhou) Co., Ltd.

2. *Explanation on goodwill*

The Company's goodwill in 2017 increased by RMB632 million as compared with that of 2016, mainly due to the acquisition of HD Biosciences (Shanghai) Co., Ltd. (輝源生物科技(上海)有限公司) and its subsidary, HD Biosciences Inc., in 2017, based on the strategic development needs of the Company. Through this acquisition, the Company's drug research and development ("**R&D**") capabilities in the areas from target validation to discovery and optimization of lead compounds have been further enhanced, refining and contributing to the further refinement and expansion of the Company's integrated R&D service platform.

Since 2018, management of the Company has placed great emphasis on the issues of initial and subsequent measurements of goodwill. The Company always strictly abides by Standards and the applicable rules governing the disclosure of information, according to which, the Company conduct impairment testing on goodwill at least every six months and when there are indications of impairment, and disclose the relevant information.

During the impairment test, the Company strictly abides by the requirements of the Standards to distribute its goodwill to the corresponding asset groups for testing. In the 2018 Annual Report and the 2019 Interim Report published by the Company, the Company has disclosed in detail the specific methods for goodwill allocation and the main assumption parameters used in discounting the future cash flow of each asset group. The Company considered that there were no indications of impairment in its goodwill at the end of December 2018 and June 2019 after the impairment tests, respectively.

Considering the above, the Company has, according to the Standards and Article 23 of the *Rules on the Information Disclosure and Preparation of Companies Offering Securities to the Public No. 15 — General Rules for Financial Reporting* (《公開發行證券的公司信息披露編報規則第15號 — 財務報告的一般規定》), fully disclosed its goodwill by the investees and projects which generated goodwill, the opening and ending balances, changes in the current period of the corresponding goodwill, as well as the opening and ending balances, changes in the current period of the impairment provisions, and the process, parameters for impairment tests and the methods on recognition of goodwill impairment loss. Taking into account Article 3 and Article 4 of the *Rules on the Information Disclosure and Preparation of Companies Offering Securities to the Public No. 15 — General Rules for Financial Reporting*, the Company has also followed the principle of importance in its preparation and disclosure of financial reports, and determined the materiality by both the nature and amount based on actual conditions, and has fully disclosed the financial information that would have a material impact on investors' investment decisions.

III. RISK WARNING

The Company would like to remind the investors to refer to announcements published by the Company on the website of the Shanghai Stock Exchange (www.sse.com.cn), the Stock Exchange of Hong Kong Limited (http://www.hkexnews.hk) and the media designated by the Company for information disclosure purpose in respect of information of the Company. Investors are advised to invest rationally and be aware of the investment risks involved.

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

Hong Kong, August 30, 2019

As of the date of this announcement, the Board of the Company comprises Dr. Ge Li, Mr. Edward Hu, Mr. Xiaozhong Liu, Mr. Zhaohui Zhang and Dr. Ning Zhao as executive Directors, Mr. Xiaomeng Tong and Dr. Yibing Wu as non-executive Directors and Dr. Jiangnan Cai, Ms. Yan Liu, Mr. Dai Feng, Dr. Hetong Lou and Mr. Xiaotong Zhang as independent non-executive Directors.

* *For identification purposes only*