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)

ANNOUNCEMENT OF THE UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2020

FINANCIAL HIGHLIGHTS

	Six months ended June 30,		
	2020	2019	Change
	***RMB million* (except for percentages)**	*RMB million* (except for percentages)	
Revenue	**7,231.4**	5,894.4	22.7%
Gross Profit	**2,658.6**	2,283.6	16.4%
Gross Profit Margin	***36.8%***	*38.7%*	
Net Profit Attributable to the Owners of the Company	**1,717.2**	1,056.8	62.5%
Margin of Net Profit Attributable to the Owners of the Company	***23.7%***	*17.9%*	
Adjusted Non-IFRS Net Profit Attributable to the Owners of the Company	**1,518.7**	1,178.7	28.9%
Margin of Adjusted Non-IFRS Net Profit Attributable to the Owners of the Company	***21.0%***	*20.0%*	
	RMB	*RMB*	
Earnings per Share			
— Basic	**0.75**	0.46	63.0%
— Diluted	**0.74**	0.46	60.9%
Adjusted Non-IFRS Earnings per Share			
— Basic	**0.67**	0.52	28.8%
— Diluted	**0.66**	0.51	29.4%

The Board resolved not to declare any interim dividend for the six months ended June 30, 2020.

The board of directors of the Company is pleased to announce the unaudited interim results of the Company and its subsidiaries for the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS

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, we realized revenue of RMB7,231.4 million, representing a YoY growth of 22.7%. Our China-based laboratory services realized revenue of RMB3,780.0 million, representing a YoY growth of 26.5%. Our CDMO / CMO service realized revenue of RMB2,161.5 million, representing a YoY growth of 25.8%. Our U.S.-based laboratory services realized revenue of RMB781.7 million, representing a YoY growth of 10.1% while our clinical research and other CRO services realized revenue of RMB500.0 million, representing a YoY growth of 5.9%.

- **Revenue**

  During the Reporting Period, we achieved solid growth in spite of the COVID-19 impact on our China-based laboratory services (first quarter), U.S.-based laboratory services (second quarter) and clinical research and other CRO services (first and second quarters) business. Our growth was broadly spread across all our business segments, and was attributable to the timely implementation of our Business Continuity Plan and increased demand from customers.

  Our "long-tail" strategy and CDMO business model continued to perform very well. During the Reporting Period, we added nearly 600 new customers and the number of our active customers exceeded 4,000. By leveraging our integrated end-to-end R&D services platform, we were able to create further synergies across all our segments and continuously expand our scope of services through our "follow the project" and "follow the molecule" strategies.

We continued to enhance our capacity and capabilities across all segments globally. During the Reporting Period, the large-scale oligonucleotide API production workshop, high potency API production workshop and large-scale peptide API production workshop of STA Pharmaceutical Co., Ltd., a subsidiary of the Group, were put into use one after another, which can better meet the growing demands of customers. In January 2020, we started the construction of a new drug product development and production facility in STA Wuxi site. This facility will not only improve the development and production capacity of solid dosages, but also has the capability of sterile drug product development, clinical trial material production and commercial scale manufacturing. Our Philadelphia cell and gene therapies facility expanded its service capabilities by offering a fully integrated AAV Vector Suspension Platform and a fully integrated Closed Process CAR-T Cell Therapy Platform, which will help our customers to accelerate the timeline for cell and gene therapy development, manufacturing and release. In July 2020, our newly built Chengdu R&D center began operation, and will become an extension of our China-based laboratory services.

(1) China-based Laboratory Services

During the Reporting Period, our China-based laboratory services realized revenue of RMB3,780.0 million, representing a YoY growth of 26.5%. We have one of the largest and most experienced small molecule chemical drug R&D teams globally. On one hand, we assisted our global customers in pushing forward the R&D process for innovative pharmaceutical products; on the other hand, we continued to enable the small molecule new drug R&D industry in China with our market leading expertise. In the second quarter, our China-based laboratories resumed full operation and benefitted from increased demand from overseas customers.

In relation to small molecule drug discovery services, we performed over 11,000 chemical reactions daily. During the reporting period, we assisted global customers in developing multiple pre-clinical candidate molecules and applied for patents with various academic papers published. We have built a DEL with approximately 90 billion compounds. To optimize our resources, during the Reporting Period, we integrated DEL, protein production business unit and structure-based drug design business unit to build a target-to-hit platform for drug discovery. With comprehensive integration of technology and customer resources, our target-to-hit platform will be able to attract new long-tail customers and create incremental business opportunities for downstream services. During the Reporting Period, over 300 customers globally have used our integrated target-to-hit compound discovery platform to discover innovative small molecule drugs.

In relation to laboratory testing, our services include analytical chemistry, DMPK, ADME, toxicology and bioanalytical testing. In addition, we fully leverage the power of the platform and combine our technical experience, program management and regulatory expertise to facilitate submission of our customers' IND package. During the Reporting Period, we signed 50 integrated WIND (WuXi IND Program) packages which combined our technical experience, program management and regulatory expertise with our customers, helping many of our global and China customers submit their IND packages and obtain FDA clinical trial approval under eCTD format.

During the Reporting Period, we strengthened the sales team of our China-based cell and gene therapies CDMO services, and the number of our customers and contracts grew rapidly. In addition, we developed a long-term partnership with our first customer for its commercial manufacturing projects. In relation to business operation, we increased the efficiency and utilization of our facilities, sustaining project delivery timelines during COVID-19. We optimized the process development of plasmid and lentivirus, which further reduced the manufacturing cost. During the Reporting Period, we provided cell therapy CDMO services to multiple customers. We launched our AAV adherent manufacturing platform and started to build an AAV Vector Suspension Platform in China.

In addition, we provided integrated drug discovery and R&D services to Chinese customers which span from early stage drug discovery to completion of IND filings with NMPA. These projects have success-based agreements that provide us with a milestone and/or royalty fee. During the Reporting Period, we assisted Chinese customers in making 13 IND filings with NMPA for new-chemical entities and assisted our customers in obtaining 9 CTA from NMPA. As at June 30, 2020, we totally assisted Chinese customers in submitting 98 new-chemical entities IND filings and obtained 66 CTAs from NMPA, with 1 project in Phase III clinical trials, 8 projects in Phase II clinical trials, and 54 projects in Phase I clinical trials.

(2) CDMO/CMO Services

During the Reporting Period, our CDMO/CMO services realized revenue of RMB2,161.5 million, representing a YoY growth of 25.8%. We have one of the largest R&D process teams in China with strong R&D capabilities. It is China's first chemical process development and production platform that has passed the FDA's pre approval inspection of innovative drugs. Meanwhile, we were approved by the drug regulatory authorities of the United States, China, the European Union, Japan, Canada, Switzerland, Australia and New Zealand, providing innovative drug APIs and GMP intermediates commercial supply for the above countries and regions.

We continued to implement our strategy of "expanding services along with the development of drugs". By establishing close collaborative relationships with our customers during the pre-clinical stage, we are able to seek opportunities for new projects from pre-clinical stage to the commercialization stage, facilitating sustainable and rapid growth in revenue from our CDMO/CMO services. During the Reporting Period, our small molecule CDMO/CMO pipeline has grown to about 1,100 active projects, including 42 projects in Phase III and 26 projects in the commercial manufacturing stage. In terms of serving Chinese customers, we have 26 MAH projects in progress, including 4 commercial projects.

During the Reporting Period, our CDMO/CMO services made considerable progress in a number of new technical capabilities and capacity. We continue to improve our flow chemistry technology platform, and have applied flow chemistry technology to large-scale production in several late clinical stage and commercialization projects. We have further expanded the production capacity of high potency APIs, the newly built high potency lab and workshop have been put into operation in our Changzhou site, which is the second R&D and production site of high potency APIs after Jinshan, which will boost our annual production capacity of high potency APIs to 100 kg level. We continue to strengthen the CDMO capability building of oligonucleotide and peptide drugs. In January 2020, our kilogram grade oligonucleotide commercial production workshop in Changzhou was officially put into operation, and the maximum scale of single batch of oligonucleotide APIs increased to 1 mole, which can better meet the growing demands of customers. In June 2020, STA large-scale peptide API production workshop was officially put into operation in Changzhou, with a total of 7 production lines, to meet the demands from preclinical stage to commercial supply. In January 2020, we started the construction of a new drug product development and production facility in STA Wuxi site. This facility will not only improve the development and production capacity of solid dosages, but also has the capability of sterile drug product development, clinical trial material production and commercial scale manufacturing.

(3) U.S.-based Laboratory Services

During the Reporting Period, Our U.S.-based laboratory services realized revenue of RMB781.7 million, representing a YoY growth of 10.1%. This segment comprises our US cell and gene therapies CDMO services and medical device testing services. In the second quarter of 2020, our U.S.-based laboratory operations were negatively impacted by the COVID-19 environment resulting in slower growth.

Cell and gene therapies CDMO services is an emerging business with strong market opportunities. During the Reporting Period, the revenue of our cell and gene therapies CDMO services grew by about 4%. The main reasons are: (1) due to the impact of COVID-19, the operation efficiency of our laboratories and factories has declined periodically; (2) the COVID-19 environment is also impacting our customer base as on-site visits were delayed or cancelled due to government mandated lockdowns and travel restrictions. We have been working to utilize digital technology to mitigate impacts on both our workforce and customers; and (3) select projects were terminated due to unsuccessful customers' clinical trials.

During the Reporting Period, we continued to strengthen the capacity of our cell and gene therapies CDMO services. We launched a fully integrated AAV Vector Suspension Platform and a fully integrated Closed Process CAR-T Cell Therapy Platform, which will help our customers to accelerate the timeline for cell and gene therapy development, manufacturing and release. As at June 30, 2020, we provided CDMO services for 31 clinical phase cell and gene therapy projects, including 22 phase I clinical trials and 9 phase II/III clinical trials. In July 2020, we signed a late phase manufacturing deal with a customer for their allogeneic cell therapy product, which is currently under FDA priority review. As more customer projects go into late stage clinical trials, we expect our capacity utilization rate will continue to ramp up in 2021.

During the Reporting Period, our medical device testing service was also affected by COVID-19, resulting in declined efficiency. Despite the operational challenges we continue to see increased business demand as the European Union Medical Devices Regulation (REGULATION (EU) 2017/745) has greatly enhanced the standards on the certification of medical devices, and our revenue grew by about 18% during the Reporting Period.

(4) Clinical research and other CRO Services

During the Reporting Period, our clinical research and other CRO services realized revenue of RMB500.0 million, representing a YoY growth of 5.9%. Our clinical research and other CRO services were dramatically impacted by COVID-19 and revenue growth slowed. Since the acquisition of Pharmapace, Inc., our biometrics business has maintained strong momentum and achieved rapid growth in both U.S. and China. During the Reporting Period, we continued to strengthen our global clinical research network. By the end of the reporting period, our clinical development services team had more than 830 employees in China and overseas. Our SMO team had more than 2,800 clinical research coordinators based across more than 135 cities throughout China and provided SMO services in more than 900 hospitals.

During the Reporting Period, our clinical development team provided services to more than 130 projects for our clients in China and U.S. Among these, the highlight of our achievements included assisting the registration trials of 5 products in China including a customer's first-in-class drug for the treatment of type II diabetes which obtained positive results in a pivotal trial, a global customer's new drug for the treatment of pulmonary arterial hypertension which obtained FDA approval, as well as other drugs for the treatment of tumor and chronic diseases, which successfully completed NDA/BLA submissions.

During the Reporting Period, our SMO team assisted in the market approval of 12 products for our customers, including a surgical implant for the treatment of glaucoma under real world evidence, the first bevacizumab biosimilar in China, and vedolizumab for the treatment of ulcerative colitis. Since the NMPA released its announcement on self-checking and inspection of clinical trial data of drugs on July 22, 2015, over 50 projects undertaken by our clinical research services were inspected, all of which passed inspections, fully demonstrating the high-quality standard of our SMO services.

- **Gross Profit**

During the Reporting Period, we realized a comprehensive gross profit of RMB2,658.6 million, representing a YoY growth of 16.4%. The gross profit of core business was RMB2,655.9 million, representing a YoY growth of 16.4%. The gross profit of China-based laboratory services was RMB1,562.7 million, representing a YoY growth of 20.1%. The gross profit of CDMO/CMO services was RMB851.4 million, representing a YoY growth of 22.0%. The gross profit of U.S.-based laboratory services was RMB187.4 million, representing a YoY decrease of 1.7%. The gross profit of clinical research and other CRO services was RMB54.3 million, representing a YoY decrease of 40.7%. The main reasons are as follows: (1) we paid more incentives, including share-based compensation, to our employees, which led to increased costs of RMB126.7 million; and (2) the gross margin of U.S.-based laboratory services, clinical research and other CRO services was impacted by COVID-19.

(1) China-based Laboratory Services

During the Reporting Period, our China-based laboratory service realized gross profit of RMB1,562.7 million, representing a YoY growth of 20.1%. Gross profit rate decreased by 2.2 percentage points, mainly due to our increasing incentive for key talents, including a restricted stock plan, which resulted in a cost increase of RMB83.4 million.

(2) CDMO/CMO Services

During the Reporting Period, our CDMO/CMO service realized a gross profit of RMB851.4 million, representing a YoY growth of 22.0%, and the gross profit rate decreased by 1.2 percentage points mainly due to our increasing incentive for key talents, including the restricted stock plan, resulting in a cost increase of RMB25.6 million over the same period last year.

(3) U.S.-based Laboratory Services

During the Reporting Period, our U.S.-based laboratory services realized a gross profit of RMB187.4 million, representing a YoY decrease of 1.7%, and a decrease of 2.9 percentage points in gross profit rate. This was mainly due to the aggravation of the COVID-19 epidemic situation in the United States and our increasing incentive for key talents, including restricted stock plan, resulting in a cost increase of RMB9.3 million over the same period last year.

(4) Clinical research and other CRO Services

During the Reporting Period, our clinical research and other CRO services realized a gross profit of RMB54.3 million, representing a YoY decrease of 40.7% and a decrease of 8.5 percentage point in gross profit margin. The main reasons are: (1) our increasing incentive for key talents, including restricted stock plan, which resulted in an increase of RMB8.5 million compared with the same period last year; and (2) the clinical development business in China and the United States was seriously affected by the COVID-19 pandemic, resulting in a decrease in gross profit.

- **Other Income**

Other income increased from RMB124.9 million for the six months ended June 30, 2019 to RMB128.0 million for the six months ended June 30, 2020, representing YoY growth of 2.5%. The increase in other income was primarily due to: (1) an increase in government grants and subsidies of RMB25.9 million; (2) an increase in dividend income arising from financial assets at FVTPL of RMB3.4 million which was offset by (3) a decrease in interest income of RMB26.2 million.

- **Other Gains and Losses**

  Other gains and losses experienced a turnaround from loss to gain, from a loss of RMB22.5 million for the six months ended June 30, 2019 to a gain of RMB721.8 million for the six months ended June 30, 2020. The turnaround from loss to gain in other gains and losses was primarily due to: (1) an increase in fair value change on non-current financial assets of approximately RMB587.7 million, which mainly resulted from the increase of stock price of Schrödinger, Inc., Hua Medicine and Hygeia Healthcare Holdings Co., Limited; (2) an unrealized gain of RMB351.5 million was recognized due to change of accounting method of a non-listed company investment from equity method to financial asset at FVTPL; (3) an increase in fair value of biological assets of RMB133.0 million; (4) an increase in disposal gain of financial assets of RMB77.6 million; and (5) an increase in net foreign exchange gain of RMB114.7 million which was partially offset by (6) the fair value loss of RMB486.8 million from the derivative component of the Convertible Bonds.

- **Selling and Marketing Expenses**

  Selling and marketing expenses increased from RMB208.5 million for the six months ended June 30, 2019 to RMB274.5 million for the six months ended June 30, 2020, representing a YoY growth of 31.6%. The increase in selling and marketing expenses was primarily due to increased personnel costs from the execution of share incentive plans of the Group.

- **Administrative Expenses**

  Administrative expenses increased from RMB671.2 million for the six months ended June 30, 2019 to RMB829.3 million for the six months ended June 30, 2020, representing a YoY growth of 23.5%. The increase in administrative expenses was primarily due to: (1) an increase in personnel costs from the execution of share incentive plans of the Group; (2) an increase in depreciation and amortization expenses; and (3) an increase in equipment and software maintenance fees.

- **R&D Expenses**

  R&D expenses of the Company increased from RMB243.6 million for the six months ended June 30, 2019 to RMB333.4 million for the six months ended June 30, 2020, representing a YoY growth of 36.9%. The Group is committed to investing in new capabilities and technologies to better serve our customers. During the Reporting Period, the Group mainly invested in the DEL platform, protein production and drug discovery platform based on protein structure, increased the research of new mechanism and animal model, new process chemistry technologies, new product and new technology platform (oligonucleotides, peptides, enzyme catalyzed asymmetric synthesis, etc.) and gene therapy R&D platform.

- **Finance Costs**

  Finance costs increased from RMB32.8 million for the six months ended June 30, 2019 to RMB110.8 million for the six months ended June 30, 2020, representing a YoY growth of 238.3%. The increase in finance costs was primarily due to: (1) an increase in interest expense of bank borrowings for daily operations, capital investments and acquisition projects; (2) an increase in effective interest expenses on Convertible Bonds; and (3) an increase in lease financing costs.

- **Income Tax Expense**

  Income tax expenses increased from RMB176.5 million for the six months ended June 30, 2019 to RMB194.5 million for the six months ended June 30, 2020, representing a YoY growth of 10.2%. The increase in income tax expense was primarily due to the increase in tax assessable profit.

- **Profit for the Period**

  Profit for the Period increased from RMB1,105.0 million for the six months ended June 30, 2019 to RMB1,727.5 million for the six months ended June 30, 2020, representing a YoY increase of 56.3%. Net profit margin increased from 18.7% to 23.9% primarily due to: (1) strong revenue growth during the Reporting Period and (2) an increase in fair value gain from invested portfolio companies (mainly Schrödinger, Inc., Hua Medicine and Hygeia Healthcare Holdings Co., Limited).

- **Cash Flows**

	Six months ended June 30,	
	2020	2019
	RMB million	*RMB million*
Net cash from operating activities	**1,399.6**	877.7
Net cash used in investing activities	**(2,531.0)**	(2,590.7)
Net cash used in financing activities	**(1,293.2)**	(307.5)

For the six months ended June 30, 2020, net cash flows from operating activities of the Group amounted to RMB1,399.6 million, representing an increase of 59.5% over the six months ended June 30, 2019. The increase was mainly due to the increase in revenue, effective cost control and timely collection of receivables.

For the six months ended June 30, 2020, net cash flows used in investing activities of the Group amounted to RMB2,531.0 million, representing a decrease of 2.3% over the six months ended June 30, 2019. The decrease was primarily due to an increase in receipt of cash due to equity investment disposal.

For the six months ended June 30, 2020, net cash flows used in financing activities of the Group amounted to RMB1,293.2 million, representing an increase of 320.6% over the six months ended June 30, 2019. The increase was primarily due to the decrease of net borrowing inflow of RMB1,415.0 million.

- **Indebtedness**

As at June 30, 2020, total liabilities of the Group amounted to RMB12,222.3 million (December 31, 2019: RMB11,829.4 million), the composition of which was 22.3% being the Convertible Bonds, 19.2% being borrowings, 10.1% being lease liabilities, and 26.5% being trade and other payables.

(1) Borrowings

As at June 30, 2020, the Group had aggregate borrowings of RMB2,344.7 million. Among the total borrowings, RMB1,787.0 million will be due within one year and RMB557.7 million will be due after one year. Floating interest rate borrowings amounted to RMB1,464.7 million and fixed rate borrowings amounted to RMB880.0 million.

65% equity interests in WuXi Clinical Development Services (Chengdu) Co., Ltd., which are held by its parent company WuXi Clinical Development Services (Shanghai) Co., Ltd., one of the Group's subsidiaries, were pledged to secure the borrowings of RMB15.0 million of WuXi Clinical Development Services (Chengdu) Co., Ltd.. In addition, bank acceptance notes and letters of credit issued by STA were pledged to secure the borrowings of RMB380.0 million for Changzhou SynTheAll Pharmaceutical Co., Ltd. (both are subsidiaries of the Group).

(2) Charges on Assets

Other than the equity interest, bank acceptance notes and letters of credit pledged to secure the borrowings mentioned in the section headed 'Borrowings' above, as at June 30, 2020, the Group pledged bank deposits in the amount of approximately RMB3.4 million, which was decreased by 13.5% from approximately RMB4.0 million as at December 31, 2019. The balance mainly represented deposits placed in banks as collateral for banks to issue bank acceptance notes, letters of credit and letters of guarantee for the Group's raw material purchasing and domestic construction projects.

(3) Contingent Liabilities

As at June 30, 2020, the Group has no significant contingent liabilities except for the contingent considerations as disclosed in Note 17 to the condensed consolidated financial statements in this announcement.

(4) Gearing Ratio

As at June 30, 2020, the gearing ratio, calculated as total liabilities over total assets, was 39.6%, as compared with 40.5% as at December 31, 2019. During the Reporting Period, there was no significant change in the asset and liability structure of the Group.

- **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 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.

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 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 Group's financial performance by eliminating the impact of certain unusual, non-recurring, non-cash and/or non-operating items that the Group does not consider indicative of the performance of the Group's business. Such adjusted EBITDA and adjusted non-IFRS net profit attributable to the owners of the Company, as the management of the Group believes, is widely accepted and adopted in the industry in which the Group is operating in. However, the presentation of 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,	
	2020	2019
	RMB million	*RMB million*
	(except for percentages)	(except for percentages)
Profit before tax	**1,922.0**	1,281.5
Add:		
Interest expense	**110.8**	32.8
Depreciation and amortization	**567.6**	444.2
EBITDA	**2,600.3**	1,758.5
EBITDA margin	***36.0%***	*29.8%*
Add:		
Share-based compensation expense	**334.7**	76.6
Convertible Bonds issuance expenses	**3.3**	—
Fair value loss from derivative component of Convertible Bonds	**486.8**	—
Foreign exchange related losses	**25.8**	229.4
Realized and unrealized gains from venture investments	**(1,013.2)**	(54.7)
Realized and unrealized share of losses of joint ventures	**12.4**	20.2
Adjusted EBITDA	**2,450.0**	2,030.0
Adjusted EBITDA margin	**33.9%**	*34.4%*

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,	
	2020	2019
	RMB million	*RMB million*
Profit attributable to the owners of the Company	**1,717.2**	1,056.8
Add:		
Share-based compensation expense	**275.3**	62.7
Convertible Bonds issuance expenses	**2.5**	—
Fair value loss from derivative component of convertible bonds	**486.8**	—
Foreign exchange related losses	**20.3**	81.3
Amortization of acquired intangible assets from merge and acquisition	**17.6**	12.4
Non-IFRS net profit attributable to the owners of the Company	**2,519.6**	1,213.2
Add:		
Realized and unrealized gains from venture investments	**(1,013.2)**	(54.7)
Realized and unrealized share of losses from joint ventures	**12.4**	20.2
Adjusted non-IFRS net profit attributable to the owners of the Company	**1,518.7**	1,178.7

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

C. Assets and Liabilities Analysis

Items	Amount as at June 30, 2020	Percentage of the amount to the total assets as at June 30, 2020 (%)	Amount as at June 30, 2019	Percentage of the amount to the total assets as at June 30, 2019 (%)	Ratio of change for the amount as at June 30, 2020 as compared with the amount as at June 30, 2019 (%)	Reasons
Assets						
Right-of-use assets	1,524.1	4.9	1,111.8	4.6	37.1	Primarily due to the new leases in Shanghai and US sites.
Biological assets (current and non-current)	764.9	2.5	—	—	/	Primarily due to the Group increased biological assets for experiments and breeding through direct purchase and acquisition of subsidiaries.
Financial assets at FVTPL (non-current)	5,762.5	18.7	2,516.4	10.3	129.0	Primarily due to the additional equity investment in companies of drug R&D and fair value gain from investment portfolios.
Other non-current assets	578.3	1.9	62.1	0.3	830.8	Primarily due to the increased investments in the certificates of deposit.
Inventories	1,690.5	5.5	972.5	4.0	73.8	Primarily due to the growth in business and increased orders from customers.
Trade and other receivables	4,033.9	13.1	3,014.0	12.3	33.8	Primarily due to the growth in business.
Contract assets	454.7	1.5	322.4	1.3	41.0	Primarily due to the growth in business.

Items	Amount as at June 30, 2020	Percentage of the amount to the total assets as at June 30, 2020 (%)	Amount as at June 30, 2019	Percentage of the amount to the total assets as at June 30, 2019 (%)	Ratio of change for the amount as at June 30, 2020 as compared with the amount as at June 30, 2019 (%)	Reasons
Financial assets at FVTPL (current)	1,804.8	5.8	3,152.4	12.9	-42.7	Primarily due to the redemption of wealth management products.
Liabilities						
Trade and other payables	3,238.5	10.5	2,476.8	10.1	30.8	Primarily due to the increased purchasing in inventories.
Amounts due to related parties	20.4	0.1	11.9	—	71.0	Primarily due to amounts received from Directors for restricted A Share incentive plans.
Derivative financial instruments	55.6	0.2	103.3	0.4	-46.2	Primarily due to the fair value change in derivative financial instruments.
Contract liabilities	1,244.6	4.0	697.2	2.9	78.5	Primarily due to the increased advance payment received for new projects.
Borrowings (current and non-current)	2,344.7	7.6	1,309.9	5.4	79.0	Primarily due to the increased borrowings for daily operations, capital investments and acquisition projects.
Income tax payables	254.5	0.8	167.2	0.7	52.2	Primarily due to the increase of assessable income.

Items	Amount as at June 30, 2020	Percentage of the amount to the total assets as at June 30, 2020 (%)	Amount as at June 30, 2019	Percentage of the amount to the total assets as at June 30, 2019 (%)	Ratio of change for the amount as at June 30, 2020 as compared with the amount as at June 30, 2019 (%)	Reasons
Financial liabilities at FVTPL (current and non-current)	43.7	0.1	32.4	0.1	34.9	Primarily due to increase in fair value of the contingent consideration from acquisition of Pharmapace, Inc..
Lease liabilities (current and non-current)	1,228.7	4.0	842.3	3.4	45.9	Primarily due to the new leases in Shanghai and U.S. sites.
Convertible bonds	2,726.9	8.8	-	-	/	In September 2019, the Group issued USD300 million zero coupon convertible bonds overseas due 2024.
Deferred tax liabilities	211.9	0.7	158.1	0.6	34.0	Primarily due to deferred tax liabilities recognized upon acquisition of Suzhou Kanglu Biotechnology Co., Ltd..
Deferred income	660.4	2.1	404.3	1.7	63.3	Primarily due to the increase of government grants related to assets received for drug R&D platform construction.
Other long-term liabilities	192.5	0.6	95.9	0.4	100.8	Primarily due to the payable recognized for the acquisition of Suzhou Kanglu Biotechnology Co, Ltd..

D. Analysis on Investments

Investment on wealth management product

The Group 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 of 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 guaranteed, liquidity and yield.

As at June 30, 2020, the balance of current financial assets at FVTPL amounted to RMB1,804.8 million, representing 5.8% of total assets. Products associated with 88.9% of the investment balance have a maturity date within 30 days. During the Reporting Period, the Group invested wealth management products mainly in the following three categories:

a) Monetary fund investments, which are primarily investments in conservatively constructed portfolios of income-generating securities globally of low-volatility that are flexible and of high liquidity, such as treasury bonds and certificate of deposits.

b) Structured deposits, which are conservative products with guaranteed principals and the amount of yields contingent on the indicative performance of the financial market and derivative, such as interest rate derivative, foreign exchange and commodity.

c) Financial products, which are primarily conservatively-constructed portfolios of income with high liquidity and outstanding yield, such as bonds, inter-banking deposits, notes and trust financial products.

In RMB million

Maturity days	Monetary fund investments	Structured deposits	Financial products	Total
0 day — 30 days	213.5	668.0	722.7	**1,604.2**
30 days — 90 days	—	200.6	—	**200.6**
Total	**213.5**	**868.6**	**722.7**	**1,804.8**

Investment in companies

As part of our efforts to foster the ecosystem, the Company has established joint ventures and made selective investments in a wide variety of companies within the healthcare ecosystem. We primarily focus our investments in: (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, investment in joint ventures and associates amounted to a total of RMB134.3 million.

In March 2020, the Company invested in an associate, M6P Therapeutics ("**M6P**"), which is an early stage biotech R&D company aiming to develop new gene therapies and enzyme replacement therapies for lysosomal storage disorders. M6P will help the Company understand the development of the treatment on orphan diseases, and provide opportunities to the Company to provide CRO and CDMO services at a proper time.

During the Reporting Period, the Company continues to make additional investment in existing joint ventures and associates, so as to strengthen the Company's synergy and promote the development of core business, obtain customers and enhance service ability.

During the Reporting Period, investment in other equities aside from joint ventures and associates amounted to a total of RMB1,046.5 million. Our investments of 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	1,156.9	289.0	2,563.1	**4,009.1**
Addition	—	20.2	1,026.2	**1,046.5**
Transfer from non-listed companies/ (transfer to listed companies)	174.4	—	(174.4)	**—**
Gain resulting from transfer of an investment in associates to financial assets at FVTPL	—	—	351.5	**351.5**
Fair value change during the Reporting Period	539.0	11.8	36.9	**587.7**
Disposals of shares	(262.2)	(4.4)	(11.1)	**(277.7)**
Dividend	—	(0.1)	—	**(0.1)**
Foreign exchange effect	14.8	1.9	28.9	**45.6**
Ending Balance	**1,622.9**	**318.5**	**3,821.1**	**5,762.5**

Note: The sum of the data above inconsistent with the total is caused by 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 ecosystem. The followings are some of our largest investments across several different areas in the healthcare industry as at June 30, 2020.

Lyell Immunopharma, Inc. ("Lyell")

Lyell is a pre-revenue biopharmaceutical company addressing unsolved problems of creating reliable, curative adoptive cell therapy for solid tumors. As of June 30, 2020, our Group held approximately 3.2% equity interests in Lyell with fair value amounting to RMB665.5 million (representing 2.2% of our total assets). The Company participated in Lyell's Series C preferred shares in March 2020, and there has been no investment gains or dividends during the Reporting Period.

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 TCRs, CARs or other targeting modalities using state-of-the-art protein engineering

Hua Medicine ("Hua", HKEX: 02552)

Hua is a China-based, pre-revenue biopharmaceutical company focusing on developing Dorzagliatin, a first-in-class oral drug for the treatment of Type 2 diabetes. Hua is listed on the Main Board of the Hong Kong Stock Exchange. As at June 30, 2020, our Group held approximately 7.0% equity interests in Hua with fair value amounting to RMB478.8 million (representing 1.6% of our total assets). During the Reporting Period, the Company recognized an unrealized gain of RMB143.7 million, along with the fluctuation of Hua's stock price.

On July 1, 2020, Hua reported that Phase III study (DAWN/HMM0302) of Dorzagliatin/metformin combo vs Placebo/metformin in type 2 diabetes patients met the primary endpoint: HbA1c reduction of 1.02% from baseline, representing a statistically significant reduction of 0.66% over placebo at week 24 ($p<0.0001$), substantially better HbA1c response rate than the placebo group (44.4% vs. 10.7% control <7% HbA1c at week 24), and statistically significant improvements over the placebo group in beta-cell function (HOMA2- β and HOMA2-IR), 2hPPG and FPG. Safety profile was good and consistent with the Phase III data from the monotherapy study (SEEED/HMM0301), with <1% hypoglycemia.

Hua expects multiple catalysts in the next 12 months, including:

- 52-week data for HMM301 trial;
- Potential partnership with global and China diabetes-focused companies relating to Dorzagliatin; and
- NDA filing in China of Dorzagliatin.

Further details of the business and financial performance of Hua for the Reporting Period are set out in its 2020 interim report to be published in due course.

iKang Healthcare Group ("iKang")

iKang is a leading medical examination and health management group in China, providing high-quality medical services including medical examination, disease detection, dental services, private doctors, vaccination and anti-aging. As at June 30, 2020, our Group held approximately 3.7% equity interests in iKang with fair value amounting to RMB472.3 million (representing 1.5% of our total assets).

iKang was formerly listed in The New York Stock Exchange and subsequently privatized in January 2019. At the time of privatization, iKang operated 119 medical examination centers in 35 cities. iKang also cooperated with over 700 medical institutions in over 200 cities in China to provide one-stop countrywide medical examination and health management services.

Genesis Medtech Group Limited ("Genesis")

Genesis provides high-quality research, production and sales services on medical device. As at June 30, 2020, our Group held 14.8% equity interests in Genesis with fair value amounting to RMB391.0 million (representing 1.3% of our total assets).

Genesis aspires to become China's largest med-tech 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, 2020, Genesis has more than 1,000 employees and covered 2,500 county hospitals.

JW (Cayman) Therapeutics Co. Ltd ("JW Cayman")

JW Cayman is a cell therapy company driven by scientific and technological innovation. As at June 30, 2020, the Group held 14.2% equity interests in JW Cayman. The fair value of the investment was about 1% of the Group's total assets as at June 30, 2020. During the Reporting Period, the Company changed its accounting method for the investment from equity method to financial asset at FVTPL, and recognised an unrealized fair value gain of RMB351.5 million.

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. We strive to continue to expand our service offering by executing the strategy from "follow the project" to "follow the molecule". At the early stage of new drug R&D, we enable our customers with our expertise and gradually establish a trusted partnership. At the CRO and CDMO/CMO stage, we provide services from "follow the project" to "follow the molecule", and win more business opportunities in the late development and commercialization stage.

(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 enable them to transform ideas into reality. We are a leading player in terms of capabilities and capacities and have built a strategy that is hard to be duplicated by our competitors. We are able to anticipate technological development and emerging R&D trend of the industry in the future and seize new development opportunities. We have rich experience in cutting-edge expertise, based on which we further explore technologies such as AI, medical big data and laboratory automation, etc. and strives to apply them in R&D of new drugs as early as possible to help our customers to 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. We have provided services to and established trusted partnerships with leading international and China pharmaceutical companies. We have a deep understanding of the customers' demands and are aware of the latest development trends. Through ongoing strengthening of capabilities and expansion of scale as well as strategic M&As, we continue to provide more premium, and comprehensive services to our customers.

In terms of organic growth, we continued to enhance our capacities and capabilities across all segments and facilities globally. During the Reporting Period, the large-scale oligonucleotide API production workshop, high potency API production workshop and large-scale peptide API production workshop of STA, a subsidiary of the Group, were put into use one after another, which can better meet the growing demands of customers. In January 2020, we started the construction of a new drug product development and production facility in STA Wuxi site. This facility will not only improve the development and production capacity of solid dosages, but also has the capability of sterile drug product development, clinical trial material production and commercial scale manufacturing. Our Philadelphia cell and gene therapies facility expanded its service capabilities by offering a fully integrated AAV Vector Suspension Platform and a fully integrated Closed Process CAR-T Cell Therapy Platform, which will help our customers to accelerate the timeline for cell and gene therapy development, manufacturing and release. In July, 2020, our newly built Chengdu research and development center began operation, and will become an extension of our China-based laboratory services.

In terms of mergers and acquisitions, we have made a number of high-quality transactions such as AppTec Inc., Abgent Inc., Crelux GmbH, HD Biosciences Inc. and WuXi Clinical Development Inc., Pharmapace Inc., etc. successively and integrated their businesses with our existing business to optimize our industry chain while creating synergies. Should there be any appropriate opportunities in the future, we will continue to enhance CRO and CDMO/CMO service capabilities through M&A.

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

We have a strong, loyal and expanding customer base. During the Reporting Period, we added nearly 600 new customers and provided services to more than 4,000 active customers in over 30 countries, including all of the top 20 global pharmaceutical companies, according to Frost & Sullivan. During the Reporting Period, the top 20 global pharmaceutical companies contributed to 31.9% of our revenue. We also enjoyed 100% retention for our top 10 customers from 2015 to June 30, 2020. During the Reporting Period, 94.5% of our revenue came from repeat customers and 5.5% of our revenue came from newly added customers. As our service capabilities continue to expand, 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 demands of new and existing customers, thereby attracting new participants to join the evolving healthcare ecosystem. Through this lowering of entry barriers, 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 drives innovation and fuels the growth of all participants.

(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 U.S. 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) Proposed Issuance of H Shares and Proposed Non-public Issuance of A Shares

On March 24, 2020, the Board resolved to approve (i) the Proposed Issuance of H Shares pursuant to which the Company will issue not more than 95,487,500 New H Shares as the Capitalization of Reserve is completed before the completion of the Proposed Issuance of H Shares, representing not more than 40% of the then total issued H Shares following the completion of the Capitalization of Reserve to not less than six specific placees; and (ii) the Proposed Non-public Issuance of A Shares pursuant to which the Company will issue not more than 105,000,000 A Shares as the Capitalization of Reserve is completed before the completion of the Proposed Non-public Issuance of A Shares, representing not more than 5.07% of the then total issued A Shares of the Company following the completion of the Capitalization of Reserve, to not more than 35 specific subscribers. The Proposed Issuance of H Shares and the Proposed Non-public Issuance of A Shares have been approved by the Shareholders at the 2019 annual general meeting, the first A Share class meeting of 2020 and the first H Share class meeting of 2020 of the Company held on May 15, 2020. The implementation of the Proposed Issuance of H Shares and the Proposed Non-public Issuance of A Shares are subject to certain conditions precedent. Please refer to the announcements of the Company dated March 24, 2020 and May 15, 2020 and the circular of the Company dated March 31, 2020 for further details.

(2) Capitalization of Reserve pursuant to the 2019 Profit Distribution Plan

On May 15, 2020, the 2019 Profit Distribution Plan of the Company was approved at the 2019 annual general meeting, the first A Share class meeting of 2020 and the first H Share class meeting of 2020 of the Company. Pursuant to the 2019 Profit Distribution Plan, four (4) Capitalization Shares of the Company were issued for every ten (10) Shares of the Company held by the Shareholders on the relevant record date (i.e. June 3, 2020) by way of Capitalization of Reserve. Accordingly, the total number of Shares of the Company has changed from 1,651,126,531 Shares to 2,311,577,143 Shares. Please refer to the circular of the Company dated March 31, 2020 for further details.

(3) 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 second meeting of the second session of the Board. Pursuant to the such proposal, due to (i) the departure of 57 incentive participants under the 2018 A Share Incentive Plan before the expiry of the lock-up period for the initial grant and/or the reserved grant under the 2018 A Share Incentive Plan; (ii) a total of 18 incentive participants under the 2018 A Share Incentive Plan being unable to satisfy the performance appraisal target at the individual level for 2018 and 2019; and (iii) the implementation of the 2019 Profit Distribution Plan, the Company shall repurchase a total of 367,960 Restricted A Shares granted under the initial grant of the 2018 A Share Incentive Plan at the repurchase price of RMB22.75 per A share and a total of 172,625 Restricted A Shares granted under the reserved grant under the 2018 A Share Incentive Plan at the repurchase price of RMB22.95 per A Share after relevant adjustments to the repurchase price. Please refer to the relevant announcement of the Company dated June 10, 2020 for further details.

2019 A Share Incentive Plan

The "Proposal on the Repurchase and Cancellation of Part of the Restricted A Shares Granted under the Initial Grant and the Cancellation of Part of the Share Options Granted under the Initial Grant of the Restricted A Shares and Stock Option Incentive Plan of 2019 of the Company" was approved at the second meeting of the second session of the Board. Pursuant to such proposal, due to (i) the departure of 32 Incentive Participants before the expiry of the lock-up period under the 2019 A Share Incentive Plan and 22 Incentive Participants before the expiry of the vesting period under the 2019 A Share Incentive Plan; (ii) 20 Incentive Participants being unable to satisfy the performance appraisal target of 2019; and (iii) the implementation of the 2019 Profit Distribution Plan, the Company shall repurchase a total of 357,379 Restricted A Shares granted under the 2019 Initial Grant at the repurchase price of RMB22.95 per A Share and cancel 474,255 units of Share Options granted under the 2019 Initial Grant. Please refer to the relevant announcement of the Company dated June 10, 2020 for further details.

(4) Grant of the Reserved Interests to the incentive participants of the 2019 A Share Incentive Plan

The Board is of the view that the conditions for the grant of the Reserved Interests under the 2019 A Share Incentive Plan have been fulfilled, and has resolved to grant (i) 427,000 Restricted A Shares to 18 Incentive Participants; and (ii) 29,131 Share Options to one Incentive Participant, with June 10, 2020 confirmed as the date of the 2019 Reserved Grant. The underlying shares of the 2019 Reserved Grant are ordinary A shares to be issued by the Company to the Incentive Participants. Pursuant to the terms of the 2019 A Share Incentive Plan, the grant price of the reserved Restricted A Shares to be granted under the 2019 Reserved Grant shall be RMB40.59 per A Share and the exercise price of the reserved Share Options to be granted under the 2019 Reserved Grant shall be RMB81.17 per A Share. Please refer to the relevant announcement of the Company dated June 10, 2020 for further details.

(5) Adjustments to the conversion price of US$300 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 HK$111.80 per H Share, being the initial conversion price to HK$79.85 per H Share as a result 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, being the day immediately after the record date for determining the entitlement of holders of H Shares to the Capitalization of Reserve and the Profit Distribution. Save as disclosed above, all other terms of the Bonds remain unchanged.

(6) WuXi Biologics ceased to be a connected person of the Company

Subsequent to the completion of the placing of 60,000,000 existing shares of WuXi Biologics held by WuXi Biologics Holdings Limited on May 25, 2020, (i) the shareholding held by WuXi Biologics Holdings Limited in WuXi Biologics decreased from approximately 31.49% to 26.89% of the total issued share capital of the WuXi Biologics; and (ii) WuXi Biologics Holdings Limited ceased to be a controlling shareholder of WuXi Biologics.

Since Dr. Ge Li, together with the Founding Individuals who are also Directors, control 58.42% of the voting power of WuXi Biologics Holdings Limited, they are deemed to be interested in the shares of WuXi Biologics held by WuXi Biologics Holdings Limited.

As a result, as at the date of this announcement, WuXi Biologics is no longer a 30%-controlled company (as defined under the Listing Rules) of Dr. Ge Li and the other Founding Individuals. Accordingly, WuXi Biologics is no longer an associate of Dr. Ge Li and the other Founding Individuals and hence no longer a connected person of the Company under Chapter 14A of the Listing Rules.

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/CMO 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/CMO. 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/CMO 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/CMO 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/CMOs/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 six months ended June 30, 2020 and 2019 were RMB81.4 million gain and RMB33.3 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 and other non-listed portfolios is 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 listed companies and other non-current financial assets measured at FVTPL was RMB5,762.5 million. In six months ended June 30, 2020 and six months ended June 30, 2019, fair value change of our investments in listed companies and other non-current financial assets measured at FVTPL was RMB587.7 million in gains and RMB55.2 million in losses, respectively, with a variance of RMB642.9 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.

HUMAN RESOURCES

As at June 30, 2020, the Group had 22,824 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.

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.

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 57 incentive participants under the 2018 A Share Incentive Plan before the expiry of the lock-up period for the initial grant and/or the reserved grant under the 2018 A Share Incentive Plan; (ii) a total of 18 incentive participants under the 2018 A Share Incentive Plan being unable to satisfy the performance appraisal target at the individual level for 2018 and 2019; and (iii) the implementation of the 2019 Profit Distribution Plan, the Company shall repurchase a total of 367,960 Restricted A Shares granted under the initial grant of the 2018 A Share Incentive Plan at the repurchase price of RMB22.75 per A share and a total of 172,625 Restricted A Shares granted under the reserved grant under the 2018 A Share Incentive Plan at the repurchase price of RMB22.95 per A Share after relevant adjustments to the repurchase price. Please refer to the relevant announcement of the Company dated June 10, 2020 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 32 Incentive Participants before the expiry of the lock-up period under the 2019 A Share Incentive Plan and 22 Incentive Participants before the expiry of the vesting period under the 2019 A Share Incentive Plan; (ii) 20 Incentive Participants being unable to satisfy the performance appraisal target of 2019; and (iii) the implementation of the 2019 Profit Distribution Plan, the Company shall repurchase a total of 357,379 Restricted A Shares granted under the 2019 Initial Grant at the repurchase price of RMB22.95 per A Share. Please refer to the relevant announcement of the Company dated June 10, 2020 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.

INTERIM DIVIDEND

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

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 announcement, the Company has maintained the public float as required under Listing Rules and as modified by the waiver granted by the Stock Exchange upon its listing on the Hong Kong Stock Exchange on December 13, 2018.

CORPORATE GOVERNANCE

The Company recognises 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 contained in Appendix 14 to the Listing Rules 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.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct regarding dealings in the securities of the Company by the Directors and the Group's senior management who, because of his/her office or employment, is likely to possess inside information in relation to the Group or the Company's securities.

Upon specific enquiry, all Directors confirmed that they have complied with the Model Code during the Reporting Period. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management of the Group during the Reporting Period.

REVIEW OF FINANCIAL STATEMENTS

Audit Committee

The Audit Committee of the Company comprises three independent non-executive Directors, namely Dr. Hetong Lou, Mr. Xiaotong Zhang and Ms. Yan Liu. 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, 2020, 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.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement is published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company's website (www.wuxiapptec.com.cn). The interim report of the Company for the six months ended June 30, 2020 will be despatched to the Shareholders and published on the aforesaid websites in due course.

The Board is pleased to announce that the unaudited condensed consolidated interim results of the Group for the six months ended June 30, 2020 with the comparative figures in the corresponding period in 2019 are as follows:

Condensed Consolidated Statement of Profit or Loss
For the six months ended June 30, 2020

		Six months ended June 30,	
		2020	2019
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*5*	**7,231,434**	5,894,358
Cost of services		**(4,572,849)**	(3,610,767)
Gross profit		**2,658,585**	2,283,591
Other income	*6*	**127,973**	124,873
Other gains and losses	*7*	**721,803**	(22,493)
Impairment losses under expected credit losses ("**ECL**") model, net of reversal		**(8,082)**	(1,152)
Selling and marketing expenses		**(274,503)**	(208,514)
Administrative expenses		**(829,258)**	(671,239)
Research and development expenses		**(333,439)**	(243,622)
Operating Profit		**2,063,079**	1,261,444
Share of (losses) profits of associates		**(17,913)**	72,978
Share of losses of joint ventures		**(12,407)**	(20,202)
Finance costs	*8*	**(110,797)**	(32,753)
Profit before tax		**1,921,962**	1,281,467
Income tax expense	*9*	**(194,484)**	(176,502)
Profit for the period		**1,727,478**	1,104,965
Profit for the period attributable to:			
Owners of the Company		**1,717,156**	1,056,762
Non-controlling interests		**10,322**	48,203
		1,727,478	1,104,965
Earnings per share (expressed in RMB per share)	*11*		
— Basic		**0.75**	0.46
— Diluted		**0.74**	0.46

Condensed Consolidated Statement of Comprehensive Income

For the six months ended June 30, 2020

	Notes	Six months ended June 30, 2020 **RMB'000** **(Unaudited)**	2019 *RMB'000* (Unaudited)
Profit for the period		**1,727,478**	1,104,965
Other comprehensive income for the period			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		**40,541**	5,352
Fair value gain on — hedging instruments designated in cash flow hedges		**7,364**	50,260
Other comprehensive income for the period, net of income tax		**47,905**	55,612
Total comprehensive income for the period		**1,775,383**	1,160,577
Attributable to:			
Owners of the Company		**1,765,109**	1,108,710
Non-controlling interests		**10,274**	51,867
		1,775,383	1,160,577

Condensed Consolidated Statement of Financial Position

As at June 30, 2020

	Notes	**June 30, 2020** ***RMB'000*** **(Unaudited)**	December 31, 2019 *RMB'000* (Audited)
ASSETS			
Non-Current Assets			
Property, plant and equipment		**8,170,135**	7,665,990
Right-of-use assets		**1,524,100**	1,564,438
Goodwill		**1,369,273**	1,362,176
Other intangible assets		**486,677**	495,874
Interests in associates		**857,471**	768,292
Interests in joint ventures		**47,612**	25,215
Deferred tax assets		**307,613**	262,215
Financial assets at fair value through profit or loss ("**FVTPL**")	*13*	**5,762,510**	4,009,081
Other non-current assets		**578,301**	62,391
Biological assets		**402,016**	360,254
Amounts due from related parties		**174**	174
Total Non-Current Assets		**19,505,882**	16,576,100
Current Assets			
Inventories		**1,690,466**	1,208,320
Contract costs		**140,417**	180,201
Biological assets		**362,920**	353,964
Amounts due from related parties		**15,784**	13,342
Trade and other receivables	*14*	**4,033,927**	3,555,889
Contract assets	*14*	**454,652**	379,396
Income tax recoverable		**1,321**	6,286
Financial assets at FVTPL	*13*	**1,804,777**	1,701,638
Derivative financial instruments	*18*	**13,286**	36,755
Pledged bank deposits		**3,415**	3,950
Bank balances and cash		**2,848,549**	5,223,293
Total Current Assets		**11,369,514**	12,663,034
Total Assets		**30,875,396**	29,239,134

Condensed Consolidated Statement of Financial Position

As at June 30, 2020

	Notes	June 30, 2020 RMB'000 (Unaudited)	December 31, 2019 RMB'000 (Audited)
EQUITY AND LIABILITIES			
Equity			
Share capital	*19*	**2,311,577**	1,651,127
Reserves		**16,220,897**	15,661,128
Equity attributable to owners of the Company		**18,532,474**	17,312,255
Non-controlling interests		**120,664**	97,455
Total Equity		**18,653,138**	17,409,710
LIABILITIES			
Non-Current Liabilities			
Borrowings		**557,700**	762,400
Deferred tax liabilities		**211,857**	231,098
Deferred income		**660,350**	667,382
Lease liabilities		**1,065,891**	1,104,689
Convertible bonds-debt component	*16*	**1,937,641**	1,874,915
Convertible bonds-embedded derivative component	*16*	**789,237**	298,013
Financial liabilities at FVTPL	*17*	**—**	24,729
Other long-term liabilities		**192,536**	231,812
Total Non-Current Liabilities		**5,415,212**	5,195,038
Current Liabilities			
Trade and other payables	*15*	**3,238,531**	3,392,829
Amounts due to related parties		**20,358**	24,796
Derivative financial instruments	*18*	**55,570**	86,378
Contract liabilities		**1,244,587**	897,140
Borrowings		**1,787,017**	1,809,857
Lease liabilities		**162,783**	142,497
Financial liabilities at FVTPL	*17*	**43,694**	19,499
Income tax payables		**254,506**	261,390
Total Current Liabilities		**6,807,046**	6,634,386
Total Liabilities		**12,222,258**	11,829,424
Total Equity and Liabilities		**30,875,396**	29,239,134

1. GENERAL INFORMATION

The Company was incorporated in the PRC on March 1, 2017 as a joint stock limited liability company under the PRC laws upon the conversion of WuXi AppTec Ltd. (formerly known as 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 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 H Shares on the Main Board of the 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. 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 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.

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.

2. BASIS OF PREPARATION

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 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.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Other than changes in accounting policies resulting from application of new and amendments to IFRSs, the accounting policies and methods of computation used in the condensed consolidated financial statements for the period ended June 30, 2020 are the same as those presented in the Group's annual financial statements for the year ended December 31, 2019.

Application of new and amendments to IFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in IFRS Standards and for the first time, the following amendments to IFRSs issued by the IASB which are mandatorily effective for the preparation of the Group's condensed consolidated financial statements:

For the annual period beginning on or after January 1, 2020:

Amendments to IFRS 3	Definition of a Business
Amendments to IAS 1 and IAS8	Definition of Material
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform

The application of the Amendments to References to the Conceptual Framework in IFRS Standards and 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.

4. OPERATING SEGMENT INFORMATION

Operating segments are determined based on the Group's internal reports which are submitted to Chief Executive Officer, being the chief operating decision maker ("**CODM**") of the Group for the purpose of performance assessment and resources allocation. This is also the basis upon which the Group is organized and managed. As a result of this evaluation, the Group determined that it has operating segments as follows:

China-based laboratory services	Services include small molecules discovery, such as synthetic chemistry, medicinal chemistry, analytical chemistry, biology, DMPK/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 CRO services	Clinical research services include 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.
Manufacturing services ("**CMO/CDMO services**")	CMO/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.

Segment revenue and results

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

	Six months ended June 30, 2020 (unaudited)					
	China-based laboratory services	**U.S.-based laboratory services**	**Clinical research and other CRO services**	**CMO/ CDMO services**	**Others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
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

	Six months ended June 30, 2019 (unaudited)					
	China-based laboratory services *RMB'000*	**U.S.-based laboratory services** *RMB'000*	**Clinical research and other CRO services** *RMB'000*	**CMO/ CDMO services** *RMB'000*	**Others** *RMB'000*	**Total** *RMB'000*
Segment revenue	2,988,906	709,821	472,067	1,717,729	5,835	5,894,358
Segment results	1,301,418	190,611	91,635	697,973	1,954	2,283,591
Unallocated amount:						
Other income						124,873
Other gains and losses						(22,493)
Impairment losses under ECL model, net of reversal						(1,152)
Selling and marketing expenses						(208,514)
Administrative expenses						(671,239)
Research and development expenses						(243,622)
Share of profits of associates						72,978
Share of losses of joint ventures						(20,202)
Finance costs						(32,753)
Group's profit before tax						1,281,467

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,	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue		
— PRC	**1,685,538**	1,360,137
— Asia-others	**301,802**	219,016
— U.S.	**4,073,849**	3,639,938
— Europe	**1,020,754**	588,642
— Rest of the world	**149,491**	86,625
	7,231,434	5,894,358

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

	At	At
	June 30,	December 31,
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
— PRC	**9,822,133**	8,814,396
— Rest of the world	**3,613,452**	3,490,234
	13,435,585	12,304,630

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

5. 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,	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue		
— China-based laboratory services	**3,779,958**	2,988,906
— U.S.-based laboratory services	**781,657**	709,821
— Clinical research and other CRO services	**499,998**	472,067
— CMO/CDMO services	**2,161,503**	1,717,729
— Others	**8,318**	5,835
	7,231,434	5,894,358

Timing of revenue recognition

	Six months ended June 30,	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Over time		
— China-based laboratory services	**3,087,261**	2,431,672
— U.S.-based laboratory services	**781,657**	709,821
— Clinical research and other CRO services	**499,998**	472,067
— CMO/CDMO services	**270,860**	167,813
— Others	**8,220**	5,660
At a point in time		
— China-based laboratory services	**692,697**	557,234
— CMO/CDMO services	**1,890,643**	1,549,916
— Others	**98**	175
	7,231,434	5,894,358

6. OTHER INCOME

	Six months ended June 30,	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest income	**25,681**	51,843
Government grants and subsidies related to		
— asset[(i)]	**18,815**	33,786
— income[(ii)]	**76,056**	35,182
Dividend income arising from		
— financial assets at FVTPL	**7,421**	4,062
	127,973	124,873

Notes:

i. The Group has received certain government grants and subsidies to invest in laboratory equipment. The grants and subsidies were recognized in profit or loss over the useful lives of the relevant assets.

ii. The government grants and subsidies 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 and the government to acknowledge the compliance of these conditions. These grants related to income are recognized in profit or loss when related costs are subsequently incurred and the Group receives government acknowledge of compliance. Other government 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.

7. OTHER GAINS AND LOSSES

	Six months ended June 30,	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Net foreign exchange gain/(loss)	**81,359**	(33,302)
Gain resulting from transfer of an investment in associates to financial assets at FVTPL *(Note)*	**351,491**	—
Loss on disposal of plant and equipment	**(3,175)**	(1,378)
Loss on disposal of other intangible assets	**—**	(658)
Fair value gain on financial assets at FVTPL	**625,054**	18,602
Loss on derivative financial instruments (unrealized)	**(488,045)**	(9,604)
Loss on derivative financial instruments (realized)	**(34,529)**	(1,213)
Gain on disposal of financial assets at FVTPL	**84,557**	6,922
Fair value gain on biological assets	**132,982**	—
Fair value gain on financial liability at FVTPL	**1,192**	—
Fair value loss on share-based appreciation rights	**(20,128)**	—
Others	**(8,955)**	(1,862)
	721,803	(22,493)

Note:

(i) During the current interim period, the Group lost its significant influence on JW Cayman and evaluated that JW Cayman was no longer its associate. After then, the investment was transferred from interests in associates to financial assets at FVTPL. As a result, the Group recognized a gain of RMB351.5 million which was the difference between the fair value of the shares of JW Cayman held by the Group and the book value as measured under equity method on the date of the loss of significant influence.

8. FINANCE COSTS

	Six months ended June 30,	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest expense on borrowings	**48,522**	10,356
Imputed interest expense on payable for acquisition of a property and a subsidiary	**3,147**	5,447
Interest on lease liabilities	**24,492**	16,950
Effective interest expenses on Convertible Bonds	**34,636**	—
	110,797	32,753

9. INCOME TAX EXPENSE

	Six months ended June 30,	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax:		
— PRC	**260,570**	177,373
— Hong Kong	**12,126**	11,185
— U.S.	**21,250**	8,663
— Rest of world	**1,944**	124
	295,890	197,345
(Over) under provision in respect of prior years:		
— PRC	**(33,238)**	(20,958)
— U.S.	**266**	—
	(32,972)	(20,958)
Deferred tax:		
— Current period	**(68,434)**	115
	194,484	176,502

10. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging:

	Six months ended June 30,	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Depreciation for plant and equipment	**434,668**	351,065
Depreciation for right-of-use assets	**98,211**	66,184
Amortization of other intangible assets	**34,701**	26,987
Expense relating to short-term leases	**3,546**	3,397
Expense relating to leases of low-value assets that are not shown above as short-term leases	**221**	118
Staff cost (including directors' emoluments):		
— Salaries and other benefits	**2,295,383**	1,588,453
— Retirement benefit scheme contributions	**152,192**	176,038
— Equity-settled share-based payments	**256,230**	67,990
— Cash-settled share-based payments	**58,346**	7,324
Less: capitalized in inventories and contract costs	**(528,222)**	(393,695)
	2,805,276	1,893,861
Auditor's remuneration	**3,129**	2,943

11. EARNINGS PER SHARE

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

	Six months ended June 30,	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings:		
Profit attributable to ordinary equity holders of the parent	**1,717,156**	1,056,762
Less: Cash dividends attribute to the shareholders of restricted shares expected to be unlocked in the future	**(6,622)**	(2,681)
Earnings for the purpose of calculating basic earnings per share	**1,710,534**	1,054,081
Effect of dilutive potential ordinary shares:		
Add: Cash dividends attribute to the shareholders of restricted shares expected to be unlocked in the future	**6,622**	2,681
Effect of share options issued by a subsidiary	**(4,361)**	(11,694)
Earnings for the purpose of calculating diluted earnings per share	**1,712,795**	1,045,068
Number of Shares (000):		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**2,283,360**	2,280,550
Effect of dilutive potential ordinary shares:		
Effect of restricted shares and share options issued by the Company	**17,574**	2,893
Effect of over-allotment option	**—**	461
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**2,300,934**	2,283,904

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 months ended June 30, 2020 and 2019 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, 2020 and 2019 have been adjusted to reflect the capitalization issuance completed on June 4, 2020 under the 2019 Profit Distribution Plan.

The computation of diluted earnings per share 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.

12. DIVIDENDS

On May 15, 2020, the 2019 Profit Distribution Plan of the Company was approved at the 2019 annual general meeting, the first H Share class meeting of 2020 and the first A Share class meeting of 2020 of the Company. Pursuant to the 2019 Profit Distribution Plan, a final dividend of RMB0.3370 per Share (inclusive of tax) in respect of the year ended December 31, 2019 was declared to both holders of A Shares and H Shares and aggregate dividend amounted to approximately RMB556,430,000. A Shares dividend of approximately RMB498,967,000 and H Shares dividend of approximately RMB57,463,000 was paid by the Company during the Reporting Period.

Pursuant to the 2019 Profit Distribution Plan, on June 4, 2020, 4 new shares were issued for every existing 10 shares held by the shareholders on June 3, 2020 (being the relevant record date). Accordingly, the total number of shares of the Company has changed from 1,651,126,531 shares to 2,311,577,143 shares, and the registered capital of the Company has changed from RMB1,651,126,531 to RMB2,311,577,143.

The Directors have determined that no dividend will be proposed or declared in respect of the Reporting Period (six month ended June 30, 2019: Nil).

13. FINANCIAL ASSETS AT FVTPL

	At June 30, 2020	At December 31, 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Current assets		
Monetary fund investments	**213,477**	795,702
Structured deposits and financial products	**1,591,300**	905,936
	1,804,777	1,701,638
Non-current assets		
Listed equity securities	**1,622,902**	1,156,949
Unlisted equity investments	**3,821,129**	2,563,112
Unlisted fund investments *(Note i)*	**318,479**	289,020
	5,762,510	4,009,081

Notes:

i. 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.

14. TRADE AND OTHER RECEIVABLES/CONTRACT ASSETS

14.1 TRADE AND OTHER RECEIVABLES

	At June 30, 2020 ***RMB'000*** **(Unaudited)**	At December 31, 2019 *RMB'000* (Audited)
Trade receivables		
— third parties	**3,379,618**	2,994,427
Allowance for credit losses	**(74,675)**	(67,572)
	3,304,943	2,926,855
Other receivables	**80,251**	14,732
Note receivable	**1,670**	24,735
Prepayments	**136,717**	92,158
Interest receivables	**—**	5,229
Prepaid expense	**30,432**	24,040
Value added tax recoverable	**471,625**	460,863
Rental deposits	**8,289**	7,277
	648,733	614,302
Total trade and other receivables	**4,033,927**	3,555,889

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, 2020 ***RMB'000*** **(Unaudited)**	At December 31, 2019 *RMB'000* (Audited)
Within 180 days	**3,006,260**	2,792,413
181 days to 1 year	**219,677**	116,540
1 year to 2 years	**70,220**	33,042
More than 2 years	**10,456**	9,595
	3,306,613	2,951,590

14.2 CONTRACT ASSETS

	At June 30, 2020	At December 31, 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Contract assets	**457,877**	382,212
Allowance for credit losses	**(3,225)**	(2,816)
	454,652	379,396

The contract assets primarily relate to the Group's right to consideration for work completed and not billed because the rights are conditional on the Group's future performance in achieving specified milestones of the contracts at the reporting date. The contract assets are transferred to trade receivables when the rights become unconditional.

14.3 IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS AND OTHER ITEMS SUBJECT TO ECL MODEL

	Six months ended June 30,	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
(Reversal of)/impairment losses under ECL model on		
Contract assets	**389**	(3,849)
Trade receivables	**7,693**	5,001
	8,082	1,152

15. TRADE AND OTHER PAYABLES

	At June 30, 2020 RMB'000 (Unaudited)	At December 31, 2019 RMB'000 (Audited)
Trade payables	**784,699**	572,507
Salary and bonus payables	**633,639**	758,377
Payables for acquisition of plant and equipment	**825,748**	926,263
Accrued expenses	**337,149**	352,859
Other taxes payable	**22,197**	20,456
Interest payable	**2,780**	5,325
Note payable	**16,304**	19,090
Others	**50,319**	56,340
Considerations received from employees for subscribing restricted A shares of the Company under WuXi AppTec A Share Incentive Scheme	**565,696**	681,612
	3,238,531	3,392,829

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, 2020 RMB'000 (Unaudited)	At December 31, 2019 RMB'000 (Audited)
Within one year	**783,978**	581,858
1 year to 2 years	**10,735**	5,350
2 years to 3 years	**3,677**	2,501
More than 3 years	**2,613**	1,888
	801,003	591,597

16. CONVERTIBLE BONDS

On September 17, 2019, the Company issued a five-year zero coupon convertible bond 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 the Maturity Date, and the price of H shares to be issued in exercise of the right of conversion is initially HK$111.80 per H share. The conversion price would be adjusted in some circumstances.

On June 4, 2020, it came into effective that the conversion price was adjusted to HK$79.85 per H share due to the Profit Distribution and Capitalization of Reserve of the Company.

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 bondholders 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.

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; and

(b) Derivative component comprises conversion options and early redemption options (not closely related to the debt component) were initially and subsequently measured at fair value.

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 were 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 the Convertible Bonds for the period is set out as below:

	Debt components *RMB'000*	**Embedded derivative component** *RMB'000*	**Total** *RMB'000*
As at December 31, 2019 (Audited)	1,874,915	298,013	2,172,928
Interest charge	34,636	—	34,636
Loss arising on changes of fair value	—	486,799	486,799
Exchange adjustments	28,090	4,425	32,515
As at June 30, 2020 (Unaudited)	1,937,641	789,237	2,726,878

No conversion or redemption of the Convertible Bond has occurred up to June 30, 2020.

As at June 30, 2020, the derivative component was measured at fair value with reference to valuation report issued by a third party consultant. And the changes in fair value were recognised in profit or loss during the period.

17. FINANCIAL LIABILITIES AT FVTPL

	At June 30, 2020 ***RMB'000*** **(Unaudited)**	At December 31, 2019 *RMB'000* (Audited)
Current liability		
Contingent consideration *(Note)*	**43,694**	19,499
Non-current liability		
Contingent consideration *(Note)*	**—**	24,729

Note: On May 1, 2019, the Group acquired 100% of the issued share capital of Pharmapace, Inc. at total cash consideration of USD22,353,000 (equivalent to RMB154,221,000) and estimated contingent consideration of USD4,711,000 (equivalent to RMB32,501,000).

The total consideration transferred including cash and contingent consideration is accounted under fair value based on a valuation report issued by a third party consultant.

18. DERIVATIVE FINANCIAL INSTRUMENTS

	At June 30, 2020 *RMB'000* (Unaudited)	At December 31, 2019 *RMB'000* (Audited)
Current assets		
Derivative under hedge accounting		
Cash flow hedges — Foreign currency forward contracts	**9,642**	25,240
Other derivatives (not under hedge accounting)		
Foreign currency forward contracts	**3,644**	11,515
	13,286	36,755
Current liabilities		
Derivatives under hedge accounting		
Cash flow hedges — Foreign currency forward contracts	**29,540**	56,381
Interest hedges — Interest rate swap contracts	**2,220**	—
	31,760	56,381
Other derivatives (not under hedge accounting)		
Foreign currency forward contracts	**23,810**	29,997
	55,570	86,378

Derivatives under hedge accounting

It is the policy of the Group to enter into forward foreign exchange 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, 2020	Foreign currency as at June 30, 2020 *USD'000*	Notional value as at June 30, 2020 *RMB'000*	Fair value assets as at June 30, 2020 *RMB'000*
Sell USD				
Less than 3 months	7.1540	91,000	651,016	5,385
3 to 6 months	7.1200	32,000	227,840	223
7 to 12 months	7.1936	145,000	1,043,072	2,532
Buy RMB				
Less than 3 months	7.1730	15,000	107,595	932
7 to 12 months	7.1918	25,000	179,795	570

	Average strike rate as at June 30, 2020	Foreign currency as at June 30, 2020 *USD'000*	Notional value as at June 30, 2020 *RMB'000*	Fair value liabilities as at June 30, 2020 *RMB'000*
Sell USD				
Less than 3 months	6.9280	32,000	221,695	4,934
3 to 6 months	7.0579	97,000	684,615	7,120
7 to 12 months	7.1077	164,000	1,165,669	9,779
Buy RMB				
Less than 3 months	6.9656	25,000	174,140	3,141
3 to 6 months	7.0759	40,000	283,036	2,135
7 to 12 months	7.1353	60,000	428,115	2,431
Interest swaps				
7 to 12 months	N/A	100,000	707,950	2,220

For the six months ended June 30, 2020, the aggregate amount of losses after tax under foreign exchange forward 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 of subsidiaries operating in the PRC is RMB11,639,000 (as at December 31, 2019: RMB14,916,000). 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.

For the six months ended June 30, 2020, the aggregate amount of losses after tax under foreign exchange forward contracts recognised in other comprehensive income and accumulated in cash flow hedging reserve relating to the exposure on anticipated future purchase transactions denominated in RMB of subsidiary operating in Hong Kong is RMB3,743,000 (as at December 31, 2019: RMB10,034,000). The subsidiary's functional currency is USD. It is anticipated that the purchases will take place in next 12 months at which time the amount deferred in equity will be included in the carrying amount of inventories. It is anticipated that the inventories will be sold soon after purchase, in which period 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. Under the interest rate swaps, the Group agrees with other third party to exchange the floating interest payments in USD for fixed interest rate 0.54% and 0.62% per annum in USD. For the six months ended June 30, 2020, the aggregate amount of losses after tax under interest rate swaps recognised in other comprehensive income and accumulated in cash flow hedging reserve is RMB2,204,000 (as at December 31, 2019: Nil). It is anticipated that the interest rate swaps will terminate within next 12 months and the amount recognised in other comprehensive income will be reclassified to profit or loss in the same periods during which the hedged expected future cash flows affect profit or loss.

As at June 30, 2020, no ineffectiveness has been recognized in profit or loss.

Other derivatives (not under hedge accounting)

The Group also entered into several foreign exchange forward contracts with banks in order to manage the Group's foreign currency exposure in relation to USD against RMB and did not elect to adopt hedge accounting for those contracts. The major terms of these contracts as at June 30, 2020 presented in the condensed consolidated financial statements are as follows:

Outstanding forward contracts	Average strike rate as at June 30, 2020	Foreign currency as at June 30, 2020 *USD'000*	Notional value as at June 30, 2020 *RMB'000*	Fair value assets as at June 30, 2020 *RMB'000*
Sell USD				
3 to 6 months	7.1200	22,000	156,640	171
Buy USD				
3 to 6 months	7.0802	22,000	155,765	712
Buy RMB				
Less than 3 months	7.1720	24,000	172,128	1,590
3 to 6 months	7.1200	14,000	99,680	91
7 to 12 months	7.1999	39,000	280,797	1,080

Outstanding forward contracts	Average strike rate as at June 30, 2020	Foreign currency as at June 30, 2020 *USD'000*	Notional value as at June 30, 2020 *RMB'000*	Fair value liabilities as at June 30, 2020 *RMB'000*
Buy RMB				
Less than 3 months	6.9426	50,000	347,130	6,964
3 to 6 months	7.0583	63,000	444,676	3,988
7 to 12 months	7.0961	179,000	1,270,193	12,858

For the six months ended June 30, 2020, losses under forward foreign exchange contracts and collar contracts of RMB35,775,000 (six months ended June 30, 2019: RMB10,817,000) were recognised in other gains and losses.

19. SHARE CAPITAL

	RMB'000
Ordinary shares of RMB1.00 each	
At January 1, 2019	1,164,741
Share premium transferred to share capital	468,013
Issue of H shares under the over-allotment option	5,321
Issue of restricted A shares	13,422
Repurchase and cancellation of restricted A shares	(370)
At December 31, 2019 (Audited)	1,651,127
Share premium transferred to share capital *(Note)*	660,450
At June 30, 2020 (Unaudited)	2,311,577

Note: Pursuant to the written resolutions of the shareholders of the Company passed on May 15, 2020, 4 new shares for every 10 existing shares of the Company were issued out of reserve to all shareholders. As a result, RMB660,450,000 was transferred from share premium to share capital.

20. EVENTS AFTER THE REPORTING PERIOD

On July 29, 2020, the Company entered into a placing agreement (the "**Placing Agreement**") to subscribe for a total of 68,205,400 new H Shares at HK$108.0 per placing share to be issued by the Company under the Specific Mandate upon the terms and subject to the conditions set out in the Placing Agreement. On August 5, 2020, all the conditions have been satisfied and the completion took place. An aggregate of 68,205,400 placing shares have been successfully placed by the Placing Agents to no less than six independent placees at the placing price of HK$108.0 per placing share pursuant to the terms and conditions of the Placing Agreement.

DEFINITIONS

In this announcement, 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
"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 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
"2019 Profit Distribution Plan"	the profit distribution plan of the Company for the year ended December 31, 2019 including which includes the Capitalization of Reserve and the Profit Distribution as defined in the circular of the Company dated March 31, 2020 therein
"2019 Reserved Grant"	any grant of reserved interests subsequent to the initial grant under the 2019 A Share Incentive Plan
"2019 Share Appreciation Scheme"	the Share Appreciation Incentive Scheme of 2019 adopted by the Company on September 20, 2019
"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
"ADME"	adsorption, distribution, metabolism, and excretion
"AI"	artificial intelligence
"API"	active pharmaceutical ingredient
"Articles" or "Articles of Association"	the articles of association of the Company as amended from time to time
"Audit Committee"	the audit committee of the Board

"BLA"	Biologics License Application, a request made to the FDA for permission to introduce, or deliver for introduction, of a biological product into interstate commerce in the United States
"Board of Directors" or "Board"	our board of Directors
"Bonds" or "Convertible Bonds"	US$300 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 HK$79.85 per H Share
"Capitalization of Reserve"	the 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
"China" or "PRC"	the People's Republic of China, which for the purpose of this interim results announcement 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

"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
"CRO"	Contract Research Organization
"CTA"	Clinical Trial Authorization
"Director(s)"	the director(s) of the Company or any one of them
"DEL"	DNA-encoded library
"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
"eCTD"	Electronic Common Technical Document
"FDA"	Food and Drug Administration in the U.S.
"Founding Individuals"	Dr. Ge Li, Dr. Ning Zhao, Mr. Xiaozhong Liu and Mr. Zhaohui Zhang
"FVTPL"	Fair Value Through Profit or Loss
"Group"	the Company and its subsidiaries
"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

"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
"HKD" or "Hong Kong dollars"	Hong Kong dollars and cents, both are the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"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
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
"Listing"	the listing of the H Shares on the Main Board of the Stock Exchange on December 13, 2018
"MAH"	Market Authorized Holder, a certification granted by the NMPA, which allows certain license holders to use a qualified CMO to manufacture pharmaceutical products
"Maturity Date"	means the date on which the Convertible Bonds will be redeemed at 106.43 per cent. of their outstanding principal amount, unless previously redeemed, converted or purchased and cancelled, which is expected to be on September 17, 2024
"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

"NDA"	New Drug Application
"New H Shares"	the new H Shares to be issued upon the exercise of the Specific Mandate, the maximum number of which is (i) 68,205,400 New H Shares; or (ii) 95,487,500 New H Shares as the Capitalization of Reserve is completed, representing not more than 40% of the total issued H Shares of the Company
"NMPA"	National Medical Products Administration
"Placing Agents"	Morgan Stanley & Co. International Plc, Huatai Financial Holdings (Hong Kong) Limited, Goldman Sachs (Asia) L.L.C. and J.P. Morgan Securities Plc
"Profit Distribution"	the proposed distribution of cash dividend of RMB3.37 for every 10 Shares (inclusive of tax) under the 2019 Profit Distribution Plan
"Proposed Issuance of H Shares"	the proposed issuance of the New H Shares under the Specific Mandate by the Company to specific subscribers
"Proposed Non-public Issuance of A Shares"	the proposed non-public issuance of not more than 105,000,000 A Shares by the Company to specific subscribers
"R&D"	research and development
"Reporting Period"	the six months ended June 30, 2020
"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
"RMB"	Renminbi, the lawful currency of the PRC

"Share Options"	share options granted under the initial grant of 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
"Specific Mandate"	the specific mandate granted to the Board by the Shareholders at the 2019 annual general meeting, the first A Share class meeting of 2020 and the first H Share class meeting of 2020 of the Company held on May 15, 2020 in relation to the Proposed Issuance of H Shares
"STA"	Shanghai SynTheAll Pharmaceutical Co., Ltd* (上海合全藥業股份有限公司)
"Stock Exchange" or "Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"U.S."	the United States of America, its territories, its possession and all areas subject to its jurisdiction
"USD" or "U.S. dollars"	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
"YoY"	year-over-year
"%"	percentage

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

Hong Kong, August 13, 2020

As at the date of this announcement, the Board comprises Dr. Ge Li, Mr. Edward Hu, Dr. Steve Qing Yang, 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*