药明康德
WuXi AppTec

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, 2021

FINANCIAL HIGHLIGHTS

	Six months ended June 30,		
	2021	2020	Change
	RMB million **(except for percentages)**	*RMB million* (except for percentages)	
Revenue	**10,536.6**	7,231.4	45.7%
Gross Profit	**3,883.7**	2,658.6	46.1%
Gross Profit Margin	***36.9%***	*36.8%*	
Net Profit Attributable to the Owners of the Company	**2,675.1**	1,717.2	55.8%
Margin of Net Profit Attributable to the Owners of the Company	***25.4%***	*23.7%*	
Adjusted Non-IFRS Net Profit Attributable to the Owners of the Company*	**2,447.9**	1,458.8	67.8%
Margin of Adjusted Non-IFRS Net Profit Attributable to the Owners of the Company	***23.2%***	*20.2%*	
	RMB	*RMB*	
Earnings per Share			
— Basic	**0.92**	0.63	46.0%
— Diluted	**0.91**	0.62	46.8%
Adjusted Non-IFRS Earnings per Share*			
— Basic	**0.84**	0.53	58.5%
— Diluted	**0.84**	0.53	58.5%

The Board resolved not to declare any interim dividend for the six months ended June 30, 2021.

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

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

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

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

- **Revenue**

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

(1) China-based Laboratory Services

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

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

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

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

(2) CDMO Services

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

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

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

(3) U.S.-based Laboratory Services

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

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

(4) Clinical research and other CRO Services

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

- **Gross Profit**

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

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

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

(1) China-based Laboratory Services

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

(2) CDMO Services

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

(3) U.S.-based Laboratory Services

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

(4) Clinical research and other CRO Services

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

- **Other Income**

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

- **Other Gains and Losses**

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

- **Selling and Marketing Expense**

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

- **Administrative Expenses**

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

- **R&D Expenses**

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

- **Finance Costs**

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

- **Income Tax Expenses**

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

- **Profit for the Reporting Period**

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

- **Cash Flows**

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

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

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

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

- **Indebtedness**

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

(1) Borrowings

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

(2) Charges on Assets

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

(3) Contingent Liabilities

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

(4) *Gearing Ratio*

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

Treasury Policies

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

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

B. Non-IFRS Measure

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

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

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

Adjusted EBITDA

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

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

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

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

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

C. Assets and Liabilities Analysis

In RMB million

Items	Amount as at June 30, 2021	Percentage of the amount to the total assets as at June 30, 2021 (%)	Amount as at December 31, 2020	Percentage of the amount to the total assets as at December 31, 2020 (%)	Ratio of change for the amount as at June 30, 2021 as compared with the amount as at December 31, 2020 (%)	Reasons
Assets						
Biological assets (non-current)	631.3	1.2	418.9	0.9	50.7	Primarily due to asset mix and fair market price increase leading to the rise of fair value of biological assets during the Reporting Period.
Goodwill	1,952.6	3.7	1,391.8	3.0	40.3	Primarily due to the goodwill arising from acquisition of Oxgene during the Reporting Period.
Other intangible assets	912.7	1.7	585.3	1.3	55.9	Primarily due to the intangible assets generated from the acquisition of Oxgene during the Reporting Period.
Interests in associates	930.8	1.8	712.3	1.5	30.7	Primarily due to increasing of equity gain from in WuXi Healthcare Ventures II L.P. resulting from the increase in the stock price of CStone Pharmaceuticals during the Reporting Period.

Items	Amount as at June 30, 2021	Percentage of the amount to the total assets as at June 30, 2021 (%)	Amount as at December 31, 2020	Percentage of the amount to the total assets as at December 31, 2020 (%)	Ratio of change for the amount as at June 30, 2021 as compared with the amount as at December 31, 2020 (%)	Reasons
Financial assets at fair value through profit or loss ("FVTPL") (non-current)	9,467.3	18.1	6,717.2	14.5	40.9	Primarily due to increased strategic investments coupled with fair value gain from public listing of several portfolio companies during the Reporting Period.
Other non-current assets	2,134.8	4.1	1,395.6	3.0	53.0	Primarily due to the increasing investments in the certificates of deposits.
Inventories	2,777.8	5.3	1,933.8	4.2	43.6	Primarily due to the increasing customer's orders with the expansion of CDMO business and increasing production capacity during the Reporting Period.
Contract costs	336.4	0.6	250.3	0.5	34.4	Primarily due to the increasing customers' orders in CDMO business during the Reporting Period.
Amounts due from related parties (current and non-current)	26.7	0.1	57.3	0.1	–53.3	Primarily due to the decrease of services provided to related parties and the timely collection of receivables.

Items	Amount as at June 30, 2021	Percentage of the amount to the total assets as at June 30, 2021 (%)	Amount as at December 31, 2020	Percentage of the amount to the total assets as at December 31, 2020 (%)	Ratio of change for the amount as at June 30, 2021 as compared with the amount as at December 31, 2020 (%)	Reasons
Income tax recoverable	0.2	0.0	19.1	0.0	–98.8	Primarily due to the decrease of tax prepaid in US.
Financial assets at FVTPL (current)	2,180.5	4.2	4,617.7	10.0	–52.8	Primarily due to decrease of structured deposits during the Reporting Period.
Derivative financial instruments (current and non-current)	341.7	0.7	562.8	1.2	–39.3	Appreciation of RMB against USD during the Reporting Period led to the decrease of the assets for the forward contract the Company entered into.
Liabilities						
Amounts due to related parties	12.9	0.0	23.8	0.1	–45.8	Primarily due to repurchase price adjustment of A Share incentive plans upon execution of the 2020 Profit Distribution Plan and the unlocking and trading of several tranches of the Restricted A Shares.
Derivative financial instruments	10.2	0.0	0.9	0.0	1,090.9	Appreciation of RMB against USD during the Reporting Period led to the increase of the liabilities for the forward contract the Company entered into.

Items	Amount as at June 30, 2021	Percentage of the amount to the total assets as at June 30, 2021 (%)	Amount as at December 31, 2020	Percentage of the amount to the total assets as at December 31, 2020 (%)	Ratio of change for the amount as at June 30, 2021 as compared with the amount as at December 31, 2020 (%)	Reasons
Borrowings	2,271.2	4.4	1,230.0	2.7	84.6	Primarily due to the increased borrowings for daily operations.
Financial liabilities at FVTPL	—	—	16.5	0.0	–100.0	Primarily due to the contingent consideration from acquisition of Pharmapace, Inc. has been settled during the Reporting Period.
Convertible Bonds	2,704.0	5.2	3,401.1	7.3	–20.5	Primarily due to conversion of the Bonds to Shares.

D. Analysis on Investments

Investment on wealth management product

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

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

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

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

In RMB million

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

Investment in companies

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

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

During the Reporting Period, investments in other equities aside from joint ventures and associates amounted to a total of RMB1,813.8 million. Our investments 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	1,835.8	391.4	4,489.9	6,717.2
Addition	71.8	137.9	1,604.1	1,813.8
Transfer from non-listed companies/ (transfer to listed companies)	1,252.2	—	(1,252.2)	—
Fair value change during the Reporting Period	694.0	58.3	499.1	1,251.4
Disposals of shares	(178.0)	—	(71.8)	(249.8)
Dividend	—	(8.6)	—	(8.6)
Foreign exchange effect	(26.5)	(1.9)	(28.3)	(56.8)
Ending Balance	**3,649.3**	**577.1**	**5,240.8**	**9,467.2**

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

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

Genesis Medtech Group Limited

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

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

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

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

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

Lyell Immunopharma, Inc. (NASDAQ: LYEL)

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

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

- Redefining the cell preparations for cell-based immunotherapy following the decades-long work of two of Lyell scientific leaders, Stan Riddell and Nick Restifo;

- Modulating T cells to maintain their functionality within the solid tumor microenvironment; and

- Controlling the specificity and safety of solid tumor-directed T cells armed with T cell receptors, chimeric antigen receptors or other targeting modalities using state-of-the-art protein engineering.

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

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

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

Ambrx Biopharma Inc. (NYEX: AMAM)

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

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

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

Significant Investment Held

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

E. Core Competence Analysis

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

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

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

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

(2) Enabling innovation to strengthen our competitive advantage

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

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

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

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

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

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

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

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

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

(5) Experienced management team with vision and ambition

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

F. Other Events

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

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

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

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

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

2018 A Share Incentive Plan

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

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

2019 A Share Incentive Plan

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

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

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

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

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

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

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

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

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

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

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

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

2018 A Share Incentive Plan

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

2019 A Share Incentive Plan

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

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

2018 A Share Incentive Plan

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

2019 A Share Incentive Plan

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

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

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

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

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

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

(12) Proposed related parties transactions

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

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

A. Competition and Development Trends of the Industry

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

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

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

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

B. Potential Risks

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

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

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

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

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

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

(4) Business compliance risk

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

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

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

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

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

(7) Risk of failure in business expansion

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

(8) Foreign exchange risk

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

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

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

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

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

HUMAN RESOURCES

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

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

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

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

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

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

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 Hong Kong Stock Exchange upon the Listing.

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 its own code of corporate governance practices.

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

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

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

DIRECTORS' SECURITIES TRANSACTIONS

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

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

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

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 Dr. Jiangnan Cai. The chairman of the Audit Committee is Dr. Hetong Lou. The Audit Committee has reviewed with management and external auditor the unaudited condensed consolidated financial information of the Group for the six months ended June 30, 2021, including accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters.

Scope of work of Messrs. Deloitte Touche Tohmatsu

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

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, 2021 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, 2021 with the comparative figures in the corresponding period in 2020 are as follows:

Condensed Consolidated Statement of Profit or Loss
For the six months ended June 30, 2021

		Six months ended June 30,	
		2021	2020
		RMB'000	*RMB'000*
	Notes	**(Unaudited)**	(Unaudited)
Revenue	*5*	**10,536,558**	7,231,434
Cost of services		**(6,652,831)**	(4,572,849)
Gross profit		**3,883,727**	2,658,585
Other income	*6*	**206,077**	127,973
Other gains and losses	*7*	**740,603**	721,803
Impairment losses under expected credit losses ("**ECL**") model, net of reversal		**(21,644)**	(8,082)
Selling and marketing expenses		**(355,259)**	(274,503)
Administrative expenses		**(995,276)**	(829,258)
Research and development expenses		**(404,431)**	(333,439)
Operating Profit		**3,053,797**	2,063,079
Share of profits (losses) of associates		**217,286**	(17,913)
Share of losses of joint ventures		**(22,293)**	(12,407)
Finance costs	*8*	**(68,855)**	(110,797)
Profit before tax		**3,179,935**	1,921,962
Income tax expense	*9*	**(487,742)**	(194,484)
Profit for the period		**2,692,193**	1,727,478
Profit for the period attributable to:			
Owners of the Company		**2,675,101**	1,717,156
Non-controlling interests		**17,092**	10,322
		2,692,193	1727,478
Earnings per share (expressed in RMB per share)	*11*		
— Basic		**0.92**	0.63
— Diluted		**0.91**	0.62

Condensed Consolidated Statement of Comprehensive Income

For the six months ended June 30, 2021

	Six months ended June 30,	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit for the period	**2,692,193**	1,727,478
Other comprehensive (expense) income for the period		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of foreign operations	**(71,539)**	40,541
Fair value (loss) gain on		
— hedging instruments designated in cash flow hedges	**(205,603)**	7,364
Other comprehensive (expense) income for the period, net of income tax	**(277,142)**	47,905
Total comprehensive income for the period	**2,415,051**	1,775,383
Attributable to:		
Owners of the Company	**2,400,005**	1,765,109
Non-controlling interests	**15,046**	10,274
	2,415,051	1,775,383

Condensed Consolidated Statement of Financial Position

As at June 30, 2021

	Notes	**June 30, 2021** *RMB'000* **(Unaudited)**	December 31, 2020 *RMB'000* (Audited)
ASSETS			
Non-current Assets			
Property, plant and equipment		**12,235,148**	10,137,062
Right-of-use assets		**1,743,589**	1,519,864
Goodwill		**1,952,580**	1,391,759
Other intangible assets		**912,719**	585,319
Interests in associates		**930,761**	712,337
Interests in joint ventures		**52,375**	52,496
Deferred tax assets		**314,986**	300,901
Financial assets at fair value through profit or loss ("**FVTPL**")	*13*	**9,467,250**	6,717,207
Other non-current assets		**2,134,802**	1,395,594
Biological assets		**631,289**	418,869
Amounts due from related parties		**1,550**	419
Total Non-current Assets		**30,377,049**	23,231,827
Current Assets			
Inventories		**2,777,757**	1,933,826
Biological assets		**523,868**	501,688
Contract costs		**336,395**	250,345
Amounts due from related parties		**25,198**	56,885
Trade and other receivables	*14*	**5,120,219**	4,337,866
Contract assets	*14*	**680,054**	541,953
Income tax recoverable		**225**	19,057
Financial assets at FVTPL	*13*	**2,180,505**	4,617,725
Derivative financial instruments	*18*	**341,711**	562,824
Pledged bank deposits		**8,653**	9,113
Bank balances and cash		**9,805,726**	10,228,057
Total Current Assets		**21,800,311**	23,059,339
Total Assets		**52,177,360**	46,291,166

Condensed Consolidated Statement of Financial Position
As at June 30, 2021

	Notes	**June 30, 2021 *RMB'000* (Unaudited)**	December 31, 2020 *RMB'000* (Audited)
EQUITY AND LIABILITIES			
Equity			
Share capital	*19*	**2,948,995**	2,441,685
Reserves		**33,782,615**	30,052,058
Equity attributable to owners of the Company		**36,731,610**	32,493,743
Non-controlling interests		**251,905**	224,748
Total Equity		**36,983,515**	32,718,491
LIABILITIES			
Non-Current Liabilities			
Deferred tax liabilities		**357,296**	282,987
Deferred income		**679,529**	682,035
Lease liabilities		**1,059,610**	1,067,103
Convertible bonds-debt component	*16*	**946,890**	1,819,029
Convertible bonds-embedded derivative component	*16*	**1,757,139**	1,582,060
Other long-term liabilities		**180,221**	219,117
Total Non-Current Liabilities		**4,980,685**	5,652,331
Current Liabilities			
Trade and other payables	*15*	**5,374,018**	4,550,334
Amounts due to related parties		**12,929**	23,845
Derivative financial instruments	*18*	**10,225**	859
Contract liabilities		**2,010,666**	1,580,980
Borrowings		**2,271,185**	1,230,011
Financial liabilities at FVTPL	*17*	**—**	16,508
Lease liabilities		**166,089**	177,436
Income tax payables		**368,048**	340,371
Total Current Liabilities		**10,213,160**	7,920,344
Total Liabilities		**15,193,845**	13,572,675
Total Equity and Liabilities		**52,177,360**	46,291,166

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 ordinary shares of the Company ("**A Shares**") on The Shanghai Stock Exchange (stock code: 603259.SH) on May 8, 2018. The Company completed its public offering and listing of 116,474,200 ordinary shares of the Company ("**H Shares**") on the Main Board of The Stock Exchange of Hong Kong Limited ("**The Hong Kong Stock Exchange**"), (stock code: HK 2359) on December 13, 2018. On January 9, 2019, an aggregate of 5,321,200 H shares was issued and allotted by the Company with the exercise of over-allotment option. On August 5, 2020, the Company completed the placing of new H shares under Specific Mandate and an aggregate of 68,205,400 Placing Shares have been successfully placed by the Placing Agents to no less than six independent Placees. On September 23, 2020, the Company completed the non-public issuance of 62,690,290 A Shares and registered such new shares with the Shanghai Branch of the China Securities Depository and Clearing Corporation Limited.

The address of the registered office of the Company is Mashan No. 5 Bridge, Binhu District, Wuxi, Jiangsu Province, the PRC and the principal place of business of the Company is 288 Fute Zhong Road, Waigaoqiao Free Trade Zone, Shanghai, the PRC.

The Company is ultimately controlled by Dr. Ge Li, Dr. Ning Zhao (the spouse of Dr. Ge Li), Mr. Xiaozhong Liu and Mr. Zhaohui Zhang who are all acting in concert (collectively known as "**Ultimate Controlling Shareholders**").

The Company is an investment holding company. The principal activity of the 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 amendments to IFRSs, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2021 are the same as those presented in the Group's annual financial statements for the year ended December 31, 2020.

Application of amendments to IFRSs

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

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform — phase 2

In addition, the Group has early applied the amendment to IFRS 16 "Covid-19-Related Rent Concessions beyond June 30, 2021".

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

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, drug metabolism and pharmacokinetics ("**DMPK**")/absorption, distribution, metabolism, and excretion ("**ADME**"), toxicology and bioanalytical services.
U.S.-based laboratory services	Services include expert solution for medical devices safety testing services and comprehensive manufacturing and testing for cell and gene therapies.
Clinical research and other CRO services	Clinical research services include clinical development services and 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 ("**CDMO services**")	CDMO services stands as an integrated platform to support the development of manufacturing processes and the production of advanced intermediates and active pharmaceutical ingredients and formulation development and dosage drug product manufacturing, for preclinical, clinical trials, new drug application, and commercial supply of chemical drugs as well as wide spectrum development from early to late stage.
Others	Others mainly include the administrative service income, sales of raw material and sales of scrap materials.

Segment revenue and results

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

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

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

Entity-wide disclosure

Geographical information

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

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

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

	At June 30, 2021	At December 31, 2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
— PRC	**16,175,859**	12,689,580
— Rest of the world	**4,417,404**	3,523,720
	20,593,263	16,213,300

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

Timing of revenue recognition

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

6. OTHER INCOME

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

Notes:

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

8. FINANCE COSTS

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

9. INCOME TAX EXPENSE

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

10. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging:

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

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

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

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

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

The computation of diluted earnings per share for the six months ended June 30, 2021 assumes the conversion of the Company's outstanding convertible bonds since their assumed exercise would result in a decrease in earnings per share.

12. DIVIDENDS

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

The Directors have resolved that no dividend will be proposed or declared in respect of the current interim period (six months ended June 30, 2020: Nil).

13. FINANCIAL ASSETS AT FVTPL

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

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

14. TRADE AND OTHER RECEIVABLES/CONTRACT ASSETS

14.1 TRADE AND OTHER RECEIVABLES

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

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

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

14.2 CONTRACT ASSETS

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

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

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

	Six months ended June 30,	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Impairment losses under ECL model on		
Contract assets	**1,252**	389
Trade receivables	**20,392**	7,693
	21,644	8,082

15. TRADE AND OTHER PAYABLES

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

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

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

16. CONVERTIBLE BONDS

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

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

On September 17, 2022, the 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.

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

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

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

The total transaction costs relating to the derivative component were charged to profit or loss. Transaction costs relating to the debt component 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 Convertible Bonds for the period is set out as below:

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

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

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

17. FINANCIAL LIABILITIES AT FVTPL

	At June 30, 2021 *RMB'000* **(Unaudited)**	At December 31, 2020 *RMB'000* (Audited)
Current liability		
Contingent consideration *(Note)*	—	16,508

Note: On May 1, 2019, the Group acquired 100% of the issued share capital of Pharmapace, Inc.. The estimated contingent consideration of USD4,711,000 (equivalent to RMB32,501,000) has been settled during the Reporting Period.

18. DERIVATIVE FINANCIAL INSTRUMENTS

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

Derivatives under hedge accounting

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

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

	Average strike rate 1* as at June 30, 2021	**Average strike rate 2* as at June 30, 2021**	**Notional value as at June 30, 2021**	**Fair value assets as at June 30, 2021**
			USD'000	***RMB'000***
Collar Options Contracts				
Sell USD				
3 to 6 months	6.9500	7.0500	200,000	80,703
7 to 12 months	6.5500	6.7200	76,000	3,032

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

	Average strike rate as at June 30, 2021	Notional value as at June 30, 2021 *USD'000*	Fair value liabilities as at June 30, 2021 *RMB'000*
Forward Contracts			
Sell USD			
7 to 12 months	6.4679	680,000	10,225

	Period ended June 30, 2021		
	Fair value change of derivative financial as at instruments recognised in comprehensive income *RMB'000*	Reclassification from other comprehensive income into profit or loss *RMB'000*	
Cash flow hedges			
Anticipated future sales	200,941	(443,148)	Revenue
Anticipated borrowings repayment	—	753	Finance costs
	200,941	(442,395)	

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

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

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

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

19. SHARE CAPITAL

	RMB'000
Ordinary shares of RMB1.00 each	
At January 1, 2021	2,441,685
Share premium transferred to share capital *(Note)*	490,127
Issue of A shares under 2018 WuXi AppTec A Share Incentive Scheme-Reserved Options	98
Issue of A Shares under the 2019 WuXi AppTec A Share Incentive Scheme-Stock Option	1,714
Conversion of Convertible Bonds	15,371
At June 30, 2021 (Unaudited)	2,948,995

Note: Pursuant to the written resolutions of the shareholders of the Company passed on May 13, 2021, 2 new shares for every 10 existing shares of the Company were issued out of reserve to all shareholders. As a result, RMB490,127,000 was transferred from share premium to share capital.

20. EVENTS AFTER THE REPORTING PERIOD

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

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

DEFINITIONS

In this 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
"2018 Reserved Grant"	the grant of reserved interests subsequent to the initial grant under the 2018 A Share Incentive Plan
"2019 A Share Incentive Plan"	the Restricted A Shares and Stock Option Incentive Plan of 2019 adopted by the Company on September 20, 2019
"2019 Adjusted Initial Grant"	the adjusted initial grant of 13,400,273 Restricted A Shares and 5,039,904 Share Options pursuant to the 2019 A Share Incentive Plan
"2019 Reserved Grant"	the 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 adopted by the Company on September 20, 2019
"2020 AGM"	the annual general meeting of the Company held on May 13, 2021
"2020 Capitalization of Reserve"	the issuance of 2 2020 Capitalization Shares for every 10 Shares by way of capitalization of reserve under the 2020 Profit Distribution Plan
"2020 Capitalization Shares"	the new Shares to be allotted and issued under the 2020 Capitalization of Reserve by the Company
"2020 Profit Distribution"	the proposed distribution of cash dividend of RMB3.63 for every 10 Shares (inclusive of tax) under the 2020 Profit Distribution Plan
"2020 Profit Distribution Plan"	the profit distribution plan of the Company for the year ended December 31, 2020, which includes the 2020 Capitalization of Reserve and the 2020 Profit Distribution as defined in the circular of the Company dated April 9, 2021

"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
"A Share IPO"	issuance of 104,198,556 A Shares by the Company to the public on April 13, 2018, which were listed on Shanghai Stock Exchange on May 8, 2018
"AAV"	adeno-associated virus
"Articles of Association"	the articles of association of the Company as amended from time to time
"Ambrx"	Ambrx Biopharma Inc.
"Audit Committee"	the audit committee of the Board
"BLA	biologic license application
"Board of Directors" or "Board"	our board of Directors
"Bonds" or "Convertible Bonds"	USD300 million zero coupon convertible bonds due 2024 convertible at the option of the holder thereof into fully paid ordinary H Shares of the Company of par value RMB1.00 each at the adjusted conversion price of HKD66.17 per H Share
"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
"Changzhou STA"	Changzhou STA Pharmaceutical Co., Ltd.* (常州合全藥業有限公司)
"China" or "PRC"	the People's Republic of China, which for the purpose of this interim 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
"Director(s)"	the director(s) of the Company or any one of them
"EBITDA"	Earnings before Interest, Tax, Depreciation and Amortization
"FDA"	Food and Drug Administration in the U.S.
"Firstred"	Firstred Capital Co., Ltd.* (晨壹投資有限公司), a company established under the laws of the PRC with limited liability
"FVTPL"	fair value through profit or loss
"General Partner"	the Joint Venture Company
"Genesis"	Genesis Medtech Group Limited
"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

"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
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"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 Hong Kong Stock Exchange
"H Shareholder(s)"	holder(s) of H Share(s)
"Hygeia"	Hygeia Healthcare Holdings Co., Limited
"IFRS"	International Financial Reporting Standards
"Incentive Participants"	the persons to be granted restricted A Shares, share options or share appreciation rights under the 2019 Share Incentive Plan, including the Company's Directors, senior management, mid-level management, backbone members of technicians, basic-level management and other technicians, and incentive participants under the 2019 A Share Incentive Plan
"IND"	Investigational New Drug
"Joint Venture Company"	Suzhou WuXi Huiju Private Equity Fund Management Co., Ltd.* (蘇州藥明匯聚私募基金管理有限公司) (the name is subject to the final approval by the relevant industry and commerce authorities of the PRC), the joint venture company to be established in the PRC pursuant to the terms of the articles of association of the Joint Venture Company
"JW Cayman"	JW (Cayman) Therapeutics Co., Ltd.
"Limited Partners"	collectively, WuXi Investment, MeadowSpring, Jiaxing Firstred and Suzhou Yisu
"Listing Rules"	the Rules Governing the Listing of Securities on Hong Kong Stock Exchange (as amended from time to time)

"Listing"	the listing of the H Shares on the Main Board of the Hong Kong Stock Exchange on December 13, 2018
"Lyell"	Lyell Immunopharma, Inc.
"MDR"	medical devise regulation
"MeadowSpring"	MeadowSpring LLC, a limited liability company incorporated under the laws of Nevada, the U.S.
"M&A"	merger and acquisition
"Model Code"	the "Model Code for Securities Transactions by Directors of Listed Issuers" set out in Appendix 10 to the Listing Rules
"NanoMicro"	Suzhou Nanomicro Technology Co., Ltd.
"NASDAQ"	National Association of Securities Dealers Automated Quotations
"NMPA"	National Medical Products Administration
"Non-public Issuance of A Shares"	the non-public issuance of not more than 105,000,000 A Shares by the Company to specific subscribers
"Oxgene"	Oxford Genetics Limited
"Partnership"	Suzhou Qunying Investment Management Partnership (Limited Partnership)* (蘇州群英投資管理合夥企業(有限合夥)) (the name is subject to the final approval by the relevant industry and commerce authorities of the PRC), the limited partnership to be formed under the laws of the PRC pursuant to the terms of the Partnership Agreement
"Partnership Agreement"	the partnership agreement to be entered into by and among the General Partner and the Limited Partners
"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
"R&D"	research and development

"Reporting Period"	the six months ended June 30, 2021
"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 placing of H Shares
"STA"	Shanghai SynTheAll Pharmaceutical Co., Ltd* (上海合全藥業股份有限公司)
"STA Pharmaceutical"	STA Pharmaceutical Hong Kong Investment Limited (合全藥業香港投資有限公司), a limited liability company incorporated under the laws of Hong Kong
"Suzhou Private Capital"	Suzhou Private Capital Investment Holdings Co., Ltd* (蘇州民營資本投資控股有限公司), a company established under the laws of the PRC with limited liability
"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
"WuXi Investment"	WuXi AppTec Investment & Development Co., Ltd.* (無錫藥明康德投資發展有限公司), a company incorporated in the PRC and a wholly-owned subsidiary of the Company
"YoY"	year-over-year
"%"	percentage

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

Hong Kong, August 12, 2021

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*