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 ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2019

FINANCIAL HIGHLIGHTS

	2019	2018	Change
	RMB million	*RMB million*	
Revenue	**12,872.2**	9,613.7	33.9%
Gross Profit	**5,006.1**	3,776.9	32.5%
Gross Profit Margin	***38.9%***	*39.3%*	
Net Profit Attributable to the Owners of the Company	**1,854.6**	2,260.5	–18.0%
Margin of Net Profit Attributable to the Owners of the Company	***14.4%***	*23.5%*	
Adjusted Non-IFRS Net Profit Attributable to the Owners of the Company	**2,407.4**	1,741.6	38.2%
Margin of Adjusted Non-IFRS Net Profit Attributable to the Owners of the Company	***18.7%***	*18.1%*	
Earnings per Share			
— Basic	**1.14**	1.59	–28.3%
— Diluted	**1.12**	1.58	–29.1%
Adjusted Non-IFRS Earnings per Share			
— Basic	**1.48**	1.23	20.3%
— Diluted	**1.46**	1.22	19.7%

- The Board proposes the profit distribution plan for the year ended December 31, 2019 as follows: (1) a cash dividend of RMB3.37 (inclusive of tax) for every 10 Shares (representing an aggregate amount of RMB556,429,640.95 (inclusive of tax) based on the total issued Shares of the Company as of the date of this announcement), and (2) 4 new Shares for every 10 existing Shares of the Company to be issued out of reserve to all Shareholders. The 2019 Profit Distribution Plan is subject to, amongst others, approval by Shareholders at the forthcoming AGM and the Class Meetings and application be made to and approved by The Stock Exchange of Hong Kong Limited for the listing of and permission to deal in the new H Shares (in respect of the capitalization issue).

In this announcement, "we", "us", "our" and "WuXi AppTec" refer to the Company and where the context otherwise requires, the Group (as defined below).

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

For the year ended December 31, 2019 (the "**Reporting Period**"), the Company and its subsidiaries (collectively, the "**Group**") realized revenue of RMB12,872.2 million, representing a year-over-year ("**YoY**") growth of 33.9%. During the Reporting Period, we realized net profit attributable to the owners of the Company of RMB1,854.6 million, representing a YoY decrease of 18.0%.

Revenue

During the Reporting Period, we added over 1,200 new customers and the number of our active customers exceeded 3,900. By leveraging the strengths of our integrated end-to-end research and development ("**R&D**") services platform, we were able to create further synergies across all our segments and continuously expand our scope of services through our "follow the project" and "follow the molecule" strategies. During the Reporting Period, we experienced growth across all business segments. Our China-based laboratory services realized revenue of RMB6,473.2 million, representing a YoY growth of 26.6%. Our contract development and manufacturing organization ("**CDMO**")/contract manufacturing organization ("**CMO**") services realized revenue of RMB3,752.1 million, representing a YoY growth of 39.0%. Our U.S.-based laboratory services realized revenue of RMB1,562.9 million, representing a YoY growth of 29.8%. While our clinical research and other contract research organization ("**CRO**") services realized revenue of RMB1,062.8 million, representing a YoY growth of 81.8%.

We continued to enhance our capacity and capabilities across all segments and facilities globally. During the Reporting Period, our newly built Nantong research and development center began operation. We expanded the Suzhou safety assessment facility by increasing toxicology capacity by 80% to meet global customers' preclinical testing needs. Three of our Laboratory Testing Division's facilities, namely Drug Safety Testing facility in Suzhou, Bioanalytical Services laboratories in Shanghai, and Medical Device Testing facility in Suzhou, completed regulatory inspections by the Food and Drugs Administration of the United States ("**FDA**"), Organization for Economic Co-operation and Development ("**OECD**"), and China National Accreditation Service for Conformity Assessment ("**CNAS**"), all with excellent results. Our cell and gene therapies CDMO/CMO facility in Wuxi began operation, providing services to customers in China. Our subsidiary Shanghai SynTheAll Pharmaceutical Co., Ltd.* (上海合全藥業股份有限公司) ("**STA**")'s 5th active pharmaceutical ingredient ("**API**") manufacturing workshop in Changzhou began operation third quarter 2019. STA's new drug product manufacturing facility in Shanghai passed its first GMP inspection by the European Medical Products Agency ("**MPA**"). STA's GMP testing facility in Shanghai and API process R&D and manufacturing facility in Changzhou successfully passed two inspections by the FDA, with no Form 483 (i.e. a form used by the FDA to document and communicate concerns discovered during the inspections) issued. STA's Jinshan manufacturing facility successfully passed an inspection by the European Medicines Agency ("**EMA**") with no critical and no major findings. In January 2020, STA opened its large-scale oligonucleotide API manufacturing facility in Changzhou, supporting the process of R&D and manufacture of oligonucleotide APIs from preclinical to commercial stage. Also in January 2020, our cell and gene therapies facility in Philadelphia, U.S. expanded its service capabilities by offering a fully integrated adeno-associated virus ("**AAV**") Vector Suspension Platform. Our 500L and 1,000L bio-reactors will begin operation in the third quarter of 2020, which will help to accelerate the timeline for cell and gene therapy development, manufacturing and release.

(1) China-based laboratory services

During the Reporting Period, our China-based laboratory services realized revenue of RMB6,473.2 million, representing a YoY growth of 26.6%. We have one of the largest and most experienced small molecule chemical drug R&D teams globally, along with a comprehensive testing platform. We assisted our global customers in pushing forward R&D progress of innovative pharmaceutical products and we continued to enable our domestic customers with our market leading expertise.

In small molecule drug discovery, during the Reporting Period, we assisted global customers in developing many pre-clinical candidate molecules and applied for patents, with various research papers published. We have built a DNA-encoded library ("**DEL**") with approximately 90 billion compounds, enabling a growing number of customers globally to discover innovative small molecule drugs. We also launched DELight, a novel DNA Encoded Library (DEL) service kit, providing cost-effective and efficient hit finding services to expedite early drug discovery and bring new medicines to patients faster. Together with many top-tier international academic research institutions, we established DELopen platform, providing access of DEL libraries to academic users. Since the first year we launched DEL services, 110 customers globally have used our platform to discover innovative small molecule drug hits, including 7 of the top 20 global pharmaceutical companies.

In laboratory testing, our services include analytical chemistry, Drug Metabolism and Pharmacokinetics ("**DMPK**")/absorption, distribution, metabolism and excretion ("**ADME**"), toxicology and bioanalytical testing. In addition, we fully leverage the advantage of the platform and combine our technical experience, program management and regulatory expertise to facilitate submission of our customers' investigational new drug ("**IND**") package. During the Reporting Period, we signed 52 integrated WIND (WuXi IND Program) packages which combine our technical experience, program management and regulatory expertise with our customers, helping many of our global and domestic customers submit their IND packages and obtain FDA clinical trial approval under eCTD format.

During the Reporting Period, our cell and gene therapies CDMO/CMO facility in Wuxi assisted our partner Juventas Cell Therapy Ltd in submitting 2 IND filings for its products. In August 2019, we established strategic cooperation with GeneSail Biotech (Shanghai) Co., Ltd., to co-develop the manufacturing platform for viral vectors. This platform will provide manufacturing services of multiple kinds of viral vectors, including oncolytic viruses, for our customers' cell and gene therapies projects. In November, 2019, we formed a strategic partnership with GeneMedicine — a South Korea-based gene therapy biotechnology company. The Company will provide overall process development, manufacturing and IND filing services for GeneMedicine's oncolytic virus products.

In addition, we provided integrated drug discovery and R&D services to Chinese customers which span from early stage drug discovery to completion of IND filings with National Medical Product Administration ("**NMPA**"). These projects have success-based agreements that provide us with a milestone and/or royalty fee. During the Reporting Period, we assisted domestic customers in making 30 IND filings with NMPA for new-chemical entities and assisted our customers in obtaining 23 clinic trial applications ("**CTA**") from NMPA. As of the end of December 31, 2019, we have in total assisted Chinese customers in submitting 85 new-chemical entities IND filings and obtained 57 CTAs from NMPA, with 1 project in Phase III clinical trials, 6 projects in Phase II clinical trials, and 38 projects in Phase I clinical trials.

(2) CDMO/CMO services

During the Reporting Period, the revenue of our CDMO/CMO services amounted to RMB3,752.1 million, representing a YoY growth of 39.0%. Our strong growth in CDMO/CMO services mainly attributable to: (1) the rapid growth of CDMO/CMO market and increased demands for our services; (2) we fully leverage our competitive advantage in small molecule process development and manufacturing services and win more projects from customers; (3) many of our early-stage projects move into late stage and commercial manufacturing, and our revenue grew rapidly; (4) the expansion of our Changzhou development and manufacturing facility is on track, and we have enough capacity for our projects; and (5) with the integration of pharmaceutical development services ("**PDS**"), we further strengthen our integrated CMC services. Revenue of our drug product manufacturing services also grew rapidly.

We continued to implement our strategy of "expanding services along with the development of drugs". By establishing close collaborative relationships with our customers during the pre-clinical stage, we are able to seek opportunities for new projects from clinical stage to the commercialization stage, facilitating a sustainable and rapid growth of revenue from our CDMO/CMO services. During the Reporting Period, our small molecule CDMO/CMO pipeline has grown to about 1,000 active projects, including 40 projects in Phase III and 21 in the commercial manufacturing stage.

During the Reporting Period, our CDMO/CMO services made considerable progress. Our flow chemistry platform started the first commercial manufacturing campaign. We also expanded our capacity of high-potency API manufacturing. Our Changzhou high-potency API manufacturing workshop will begin operation in the first half of 2020. Together with our Jinshan facility, we can provide high-potency API manufacturing services up to 100kg per year for our customers. In drug substance separation and purification, we put into use large scale preparative chromatography equipment and supercritical fluid chromatography equipment in 2019, with drug substance separation and purification capacity up to 100kg per campaign. In biocatalysis services, our 500 liter biocatalysis bioreactor in API manufacturing facility in Jinshan began operation.

Meanwhile, we continued to strengthen our oligonucleotide and polypeptide CDMO capabilities. In 2019, our oligonucleotide and polypeptide cGMP pilot facility began operation and completed multiple cGMP manufacturing projects for clinical usage material during the Reporting Period. In January 2020, our large-scale oligonucleotide API manufacturing facility in Changzhou, China began operation. The new facility is over 30,000 square feet and can manufacture oligonucleotide APIs up to 1 mol/synthesis run, supporting the process R&D and manufacture of oligonucleotide APIs from preclinical to commercial. We will continue to expand the commercial manufacturing capacity for polypeptide drugs in 2020. By converting our existing small molecule CDMO customers, as well as adding more "long-tail" customers, we expect to expand our market share in the rapidly-growing global oligonucleotide and polypeptide CDMO market.

(3) U.S.-based laboratory services

During the Reporting Period, our U.S.-based laboratory services realized revenue of RMB1,562.9 million, representing a YoY growth of 29.8%. This segment comprises our cell and gene therapies CDMO services and medical device testing services, and both services experienced rapid growth.

Cell and gene therapies CDMO services is an emerging business and we are still in the process of building capabilities and capacities in this field. During the Reporting Period, our cell and gene therapies CDMO services revenue grew over 30%. As the utilization rate increased, our cell and gene therapies CDMO services revenue growth accelerated. As of December 31, 2019, we have provided CDMO services for 31 clinical stage cell and gene therapies projects, including 23 projects in phase I and 8 projects in phase II/III. We continued to strengthen our manufacturing capabilities. In January 2020, our Philadelphia cell and gene therapies facility expanded its service capabilities by offering a fully integrated AAV Vector Suspension Platform. Our 500L and 1,000L bio-reactors will begin operation in the third quarter of 2020, which will help to accelerate the timeline for cell and gene therapy development, manufacturing and release.

For our medical device testing services, due to strengthening of the management and sales team, we were able to actively develop new customers and improve our service business. The European Union Medical Devices Regulation (REGULATION (EU) 2017/745) has also greatly enhanced the standards on the certification of medical devices, which opened up more business opportunities. During the Reporting Period, our medical device testing services revenue grew over 20%.

(4) Clinical research and other CRO services

During the Reporting Period, our clinical research and other CRO services realized revenue of RMB1,062.8 million, representing a YoY growth of 81.8%. Excluding the effect of our acquisitions, the revenue of our clinical research and other CRO services grew 61.4%. Attributable to continued rapid development of the domestic new drug clinical trial market, as well as improved clinical CRO and SMO service quality, capability and capacity, the number of our customers and contracts grew rapidly. During the Reporting Period, the customer number of our clinical research services increased by 34.8%. The number of cities and hospitals covered by our SMO services increased by 21.6% and 17.6%, respectively.

We continued to build our global clinical research network. In May 2019, we acquired Pharmapace, Inc., a clinical research services company focusing on high quality biometrics services. After Pharmapace acquisition, our biometrics services have started gaining momentum and have signed up one major US client for cross border services. By the end of the Reporting Period, our SMO team had more than 2,600 clinical research coordinators distributed in more than 135 cities throughout China and provides SMO services in more than 900 hospitals maintaining our market leading position. Our clinical development services team has more than 860 employees in China and Overseas.

During the Reporting Period, we upgraded our software and hardware, training systems and clinical systems. For example, the CTMS/e-TMF/PV system has reached the leading level of international clinical systems. In April 2019, we appointed our chief medical officer to enable us to provide a seamless integration of drug development projects from preclinical translational R&D into first-in-human studies along with Phase I-IV clinical development plans for our customers.

During the Reporting Period, we helped many customers complete NDA with NMPA and receive approvals, including one breakthrough product for the treatment of ovarian cancer and a variety of new drugs for tumors, hematology diseases and chronic diseases. We also assisted in the Biologics License Application ("**BLA**") approvals of the first Adalimumab and Bevacizumab biosimilar products in China. Since the NMPA released its announcement on self-checking and inspection of clinical trial data of drugs on July 22, 2015, over 40 projects undertaken by our clinical research services were inspected, all of which passed inspections. Among which, 38 new drugs were approved, fully demonstrating the high-quality standard of our clinical research services.

Gross Profit

During the Reporting Period, we realized comprehensive gross profit of RMB5,006.1 million, representing a YoY growth of 32.5%. The gross profit of our core business was RMB5,003.1 million, representing a YoY growth of 32.6%. The gross profit of China-based laboratory services was RMB2,778.1 million, representing a YOY growth of 26.2%. The gross profit of our CDMO/CMO services was RMB1,495.8 million, representing a YoY growth of 34.3%. The gross profit of our U.S.-based laboratory services was RMB474.8 million, representing a YoY growth of 64.1%. The gross profit of our clinical research and other CRO services was RMB254.4 million, representing a YoY growth of 51.1%. The gross profit margin of our core business was 38.9%, down by 0.40 percentage points compared with the same period of last year, mainly because: (1) we paid more incentives, including share-based compensation, to our employees, which led to increased costs of RMB83.3 million, and (2) pass-through revenue of clinical research and other CRO services with low margin increased.

(1) China-based Laboratory Services

During the Reporting Period, our China-based laboratory services realized gross profit of RMB2,778.1 million, representing a YoY growth of 26.2%. Gross profit growth rate was slightly lower than revenue growth rate because we paid more incentives, including share-based compensation, to our employees.

(2) CDMO/CMO services

During the Reporting Period, our CDMO/CMO services realized gross profit of RMB1,495.8 million, representing a YoY growth of 34.3%. Gross profit growth rate was lower than revenue growth rate because our drug product commercial manufacturing facility in Wuxi was just coming online. During the Reporting Period, we completed registration and validation manufacturing for a few projects. The commercial drug product manufacturing still needs regulatory approval. We expect that as more drug product manufacturing projects move to late stage and commercial stage, the utilization rate of our facility in Wuxi will be improved. Considering the growing customer demands for integrated CMC services, we began to expand our Wuxi facility in December 2019. In the future, our Wuxi facility will provide process development services of oral and injectable drug products, as well as manufacturing services for clinical usage materials.

(3) U.S.-based Laboratory Services

During the Reporting Period, our U.S.-based laboratory services realized gross profit of RMB474.8 million, representing a YoY growth of 64.1%. With the increased utilization rate of cell and gene therapies services, as well as increased new contracts from U.S.-based medical device testing services, the gross margin of our U.S.-based laboratory services increased by 6.4 percentage points compared with the same period last year.

(4) Clinical Research and Other CRO Services

During the Reporting Period, our clinical research and other CRO services realized gross profit of RMB254.4 million, representing a YoY growth of 51.1%. Gross profit growth was lower than revenue growth, mainly due to: the effect of pass-through revenue and investment for the integration of our global clinical research network.

Other Income

Other income increased from RMB156.4 million for the year 2018 to RMB249.5 million for the year 2019, representing a YoY growth of 59.5%. The increase in other income was due primarily to: (1) increase in interest income of RMB76.0 million; and (2) increase in government grants and subsidies of RMB32.0 million.

Other Gains and Losses

Other gains and losses decreased from gains of RMB600.6 million for the year 2018 to losses of RMB188.8 million for the year 2019. The decrease in other gains and losses was due primarily to: (1) decrease in fair value on non-current financial assets of approximately RMB795.8 million, mainly resulted from the drop of stock price of Unity Biotechnology Inc. ("**Unity**") and Hua Medicine ("**Hua**") and partially offset by stock price appreciation in Jinxin Fertility Group Limited ("**Jinxin**") (2) RMB98.1 million fair value loss resulting from appreciation of conversion right value of the convertible bonds, which the Company issued in 2019 (the "**Convertible Bonds**"); partially offset by (3) increase in gain on partial disposal of financial assets of RMB39.6 million; and (4) increase in gain on derivative financial instruments of RMB58.7 million.

Selling and Marketing Expenses

Selling and marketing expenses increased from RMB337.9 million for the year 2018 to RMB438.5 million for the year 2019, representing a YoY growth of 29.8%. The increase in selling and marketing expenses was due primarily to increase in staff expenses resulting from expansion of our business.

Administrative Expenses

Administrative expenses increased from RMB1,152.6 million for the year 2018 to RMB1,509.0 million for the year 2019, representing a YoY growth of 30.9%. The increase in administrative expenses was due primarily to: (1) increase in staff expenses (including the amortization of 2018 and 2019 A Share employee incentive schemes); (2) increase in depreciation and amortization expenses; and (3) increase in equipment maintenance fee.

R&D Expenses

R&D expenses of the Company increased from RMB436.5 million for the year 2018 to RMB590.4 million for the year 2019, representing a YoY growth of 35.2%. The Group is committed to investing in new capabilities and technologies to better serve our customers. During the Reporting Period, the Group mainly invested in DEL platform, AI/machine learning in synthetic chemistry, research of new mechanism and animal model, new process chemistry technologies, new product and new technology platform (oligonucleotides, peptides, enzyme catalyzed asymmetric synthesis, etc.) and gene therapy R&D platform.

Finance Costs

Finance costs increased from RMB92.4 million for the year 2018 to RMB128.0 million for the year 2019, representing a YoY growth of 38.5%. The increase in finance costs was due primarily to the adoption of IFRS 16 — Leases with increased lease financing costs, and the increase in interest expense from Convertible Bonds issued for daily operations, capital investments and acquisition projects.

Income Tax Expenses

Income tax expenses increased from RMB247.1 million for the year 2018 to RMB425.6 million for the year 2019, representing a YoY growth of 72.2%. The increase in income tax expenses was due primarily to tax assessable profit increased in all segments.

Profit for the Year

Profit for the year decreased from RMB2,333.7 million for the year 2018 to RMB1,911.4 million for the year 2019, representing a YoY decrease of 18.1%. Net profit margin decreased from 24.3% to 14.8% due primarily to: (1) decrease in fair value gain from invested portfolio companies (mainly Unity and Hua); and (2) increasing costs and expenses along with the expansion of business and growth of capacity.

Cash Flows

	2019	2018
	RMB million	*RMB million*
Net cash from operating activities	**2,529.3**	1,525.8
Net cash used in investing activities	**(4,588.0)**	(5,162.0)
Net cash from financing activities	**1,557.9**	6,984.2

In 2019, net cash flows from operating activities of the Group amounted to RMB2,529.3 million, representing a YoY increase of 65.8% over 2018. The increase was mainly due to: (1) 2019 revenue increased 33.9% over 2018; and (2) and effective cost control and timely receivables collection.

In 2019, net cash flows used in investing activities of the Group amounted to RMB4,588.0 million, representing a YoY decrease of 11.1% over 2018. The decrease was due primarily to the redemption from wealth management products during the year.

In 2019, net cash flows from financing activities of the Group amounted to RMB1,557.9 million, representing a YoY decrease of 77.7% over 2018. The Group issued overseas-listed foreign shares of the Company ("**H Shares**") under the exercise of an over-allotment option in its listing exercise with RMB316.3 million proceeds and issued Convertible Bonds with RMB2,121.9 million proceeds received in year 2019, which was less than the proceeds of RMB9,220.3 million received from the offering of domestic shares of the Company "(**A Shares**") on The Shanghai Stock Exchange (上海證券交易所) ("**Shanghai Stock Exchange**") and H Shares on the Hong Kong Stock Exchange in year 2018.

Indebtedness

As at December 31, 2019, total liabilities of the Group amounted to RMB11,829.4 million (December 31, 2018: RMB4,502.0 million), of which 21.7% was bank and other borrowings, 18.4% was Convertible Bonds, 10.5% was lease liabilities, and 28.7% was trade and other payables.

(1) Borrowings

As at December 31, 2019, the Group had aggregated borrowings of RMB2,572.3 million. Among the total borrowings, RMB1,809.9 million will be due within one year and RMB762.4 million will be due after one year. Floating interest rate borrowings amounted to RMB1,319.3 million and fixed interest rate borrowings amounted to RMB1,253.0 million.

65% equity interests of WuXi Clinical Development Services (Chengdu) Co., Ltd., which are held by its parent company WuXi Clinical Development Services (Shanghai) Co., Ltd., one of the Group's subsidiaries, were pledged to secure the borrowings of RMB15.0 million. In addition, a bank acceptance note, which was issued by one of our subsidiaries, was pledged to secure the borrowings of RMB80.0 million.

(2) Charges on Assets

Other than the equity interest and bank acceptance note pledged to secure the borrowings mentioned in the section 'Borrowings', as at December 31, 2019, the Group pledged bank deposits with an amount of RMB4.0 million, which increased by 35.6% from RMB2.9 million as at December 31, 2018. The balance mainly represented deposits placed in banks as collateral for bank acceptance notes, letters of credit and letters of guarantee for the Group's raw material purchasing and domestic construction projects.

(3) Contingent Liabilities

As at December 31, 2019, the Group has no significant contingent liabilities except for the contingent consideration disclosed in Note 18 to the consolidated financial statements in this announcement.

(4) Gearing Ratio

As at December 31, 2019, the gearing ratio, calculated as total liabilities over total assets, was 40.6%, as compared with 19.9% as at December 31, 2018. The higher ratio is due primarily to the fact that: (1) balance of short-term and long-term borrowings increased RMB2,437.3 million; (2) liabilities of Convertible Bonds increased RMB2,172.9 million; and (3) lease liabilities increased RMB1,247.2 million.

Treasury Policies

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

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

B. Non-International Financial Reporting Standards ("IFRS") Measures

To supplement our consolidated financial statements which are presented in accordance with 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 for the year before certain expenses and amortization as set out in the table below. Adjusted EBITDA and adjusted non-IFRS net profit attributable to the owners of the Company is not an alternative to (i) profit before income tax or profit for the year (as determined in accordance with IFRS) as a measure of our operating performance, (ii) cash flows from operating, investing and financing activities as a measure of our ability to meet our cash needs, or (iii) any other measures of performance or liquidity.

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

	Year Ended 31/12/2019 ***RMB Million***	Year Ended 31/12/2018 *RMB Million*
Profit before tax	**2,337.0**	2,580.8
Add:		
Interest expense	**128.0**	92.4
Depreciation and amortization	**963.4**	645.2
EBITDA	**3,428.4**	3,318.4
EBITDA margin	***26.6%***	*34.5%*
Add:		
Share-based compensation expenses	**195.2**	51.0
Listing expenses and issuance expenses of Convertible Bonds	**5.9**	24.9
Fair value loss from derivative component of Convertible Bonds	**98.1**	—
Foreign exchange related losses	**140.4**	147.1
Realized and unrealized (gains) or losses from venture investments	**107.4**	(749.8)
Realized and unrealized share of losses from joint ventures	**39.3**	27.8
Adjusted EBITDA	**4,014.5**	2,819.3
Adjusted EBITDA margin	***31.2%***	*29.3%*

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

	Year ended 31/12/2019 ***RMB million***	Year ended 31/12/2018 *RMB million*
Profit attributable to the owners of the Company	**1,854.6**	2,260.5
Add:		
Share-based compensation expenses	**161.2**	45.8
Listing expenses and issuance expenses of Convertible Bonds	**4.4**	22.3
Fair value loss from derivative component of Convertible Bonds	**98.1**	—
Foreign exchange related losses	**114.6**	116.3
Amortization of acquired intangible assets from merge and acquisition	**27.9**	18.8
Non-IFRS net profit attributable to the owners of the Company	**2,260.8**	2,463.7
Add:		
Realized and unrealized (gains) or losses from venture investments	**107.4**	(749.8)
Realized and unrealized share of losses from joint ventures	**39.3**	27.8
Adjusted non-IFRS net profit attributable to the owners of the Company *(note)*	**2,407.4**	1,741.6

note: the sum of the data above is inconsistent with the total is caused by rounding.

C. Assets and Liabilities Analysis

in RMB million

Items	Amount as at the end of the Reporting Period	Percentage of the amount as at the end of the Reporting Period to the total assets (%)	Amount as at the end of last reporting period	Percentage of the amount as at the end of last reporting period to the total assets (%)	Ratio of change for the amount as at the end of the Reporting Period as compared with the amount as at the end of last reporting period (%)	Reasons
Assets						
Right-of-use assets	1,564.4	5.4	—	—	/	During the Reporting Period, right-of-use assets were recognised upon adoption of IFRS 16 — Leases.
Biological assets (current and non-current)	714.2	2.4	—	—	/	During the Reporting Period, the Group increased biological assets for experiments through direct purchase and acquisition of subsidiaries.
Other intangible assets	495.9	1.7	347.9	1.5	42.5	During the Reporting period, the Group acquired subsidiaries resulted in the increase of the customer relationship and patent.
Prepaid lease payments (current and non-current)	—	—	278.5	1.2	–100.0	Land use rights previously recorded under prepaid lease payments were reclassified to the right-of-use assets upon the adoption of IFRS16 — Leases.
Interests in joint ventures	25.2	0.1	36.8	0.2	–31.5	The decrease mainly resulted from net equity loss picked up from our joint ventures during the Reporting Period.

Items	Amount as at the end of the Reporting Period	Percentage of the amount as at the end of the Reporting Period to the total assets (%)	Amount as at the end of last reporting period	Percentage of the amount as at the end of last reporting period to the total assets (%)	Ratio of change for the amount as at the end of the Reporting Period as compared with the amount as at the end of last reporting period (%)	Reasons
Financial assets at fair value through profit or loss ("**FVTPL**") (non-current)	4,009.1	13.7	2,079.3	9.2	92.8	Due primarily to new strategic investments in healthcare industry such as examination and health management service, medical device business and drug research and development during the Reporting Period.
Financial assets at FVTPL (current)	1,701.6	5.8	2,125.3	9.4	–19.9	Due primarily to the redemption from wealth management products during the Reporting Period.
Inventories	1,208.3	4.1	854.8	3.8	41.4	The increased raw materials and consumables and work in progress was driven by increased orders during the Reporting Period.
Liabilities						
Amounts due to related parties	24.8	0.1	12.0	0.1	106.4	Due primarily to amounts received from Directors for A Share restricted stock compensation plans launched during the Reporting Period.
Derivative financial instruments	86.4	0.3	153.3	0.7	–43.7	Appreciation of RMB against USD during the Reporting Period led to the fair value increase of the forward contract the Group entered in.
Borrowings (current and non-current)	2,572.3	8.8	135.0	0.6	1,805.4	Due primarily to the increased borrowings for daily operations, capital investments and acquisition projects.

Items	Amount as at the end of the Reporting Period	Percentage of the amount as at the end of the Reporting Period to the total assets (%)	Amount as at the end of last reporting period	Percentage of the amount as at the end of last reporting period to the total assets (%)	Ratio of change for the amount as at the end of the Reporting Period as compared with the amount as at the end of last reporting period (%)	Reasons
Income tax payables	261.4	0.9	184.3	0.8	41.8	Due primarily to increase of assessable income during the Reporting Period.
Financial liabilities at FVTPL (current and non-current)	44.2	0.2	—	—	/	Due primarily to the contingent consideration from acquisition of Pharmapace, Inc.
Lease liabilities (current and non-current)	1,247.2	4.3	—	—	/	Lease liabilities were recognised upon adoption of IFRS16 — Leases starting January 1, 2019.
Convertible bonds	2,172.9	7.4	—	—	/	USD300 million zero coupon Convertible Bonds due 2024 were issued during the Reporting Period.
Deferred tax liabilities	231.1	0.8	111.7	0.5	106.8	Due primarily to deferred tax liabilities recognised upon acquisition of Pharmapace, Inc. and Suzhou Kanglu Biotechnology Co., Ltd.
Deferred income	667.4	2.3	418.8	1.8	59.3	Due primarily to the increase of government grants related to assets received for medical research and development platform construction during the reporting period.

D. Analysis on investments

Investment on wealth management products

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

As of December 31, 2019, the balance of current financial assets at FVTPL amounted to RMB1,701.6 million, representing 5.8% of total assets. Products associated with 61.5% of the investment balance have a maturity date within 30 days. During the Reporting Period, the Group invested in a diversity of wealth management products mainly in the following three categories:

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

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

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

in RMB million

Maturity days	**Monetary fund investments**	**Structured deposits**	**Financial products**	**Total**
0 day -30 days	795.7	—	250.6	**1,046.3**
30 days -90 days	—	55.1	150.5	**205.6**
90 days -180 days	—	431.6	18.1	**449.7**
Total	**795.7**	**486.7**	**419.2**	**1,701.6**

Investment in companies

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

During the Reporting Period, the Company investment in acquisitions amounted to a total of RMB1,023.8 million with major projects shown below:

— In May 2019, WuXi Clinical Development, Inc., a subsidiary of the Company, acquired 100% of the shares of Pharmapace, Inc. from its original shareholders, at a consideration of USD27.1 million, equivalent to RMB186.7 million.

— In December 2019, WuXi AppTec (Suzhou) Co., Ltd., a subsidiary of the company, acquired 100% equity of Suzhou Kang Lu Biotechnology Co., Ltd. from its original shareholder at a consideration of RMB803.8 million

During the Reporting Period, investment in joint ventures and associates amounted to a total of RMB152.7 million, major project as following:

— On September 19, 2019, WuXi AppTec (HongKong) Limited, a wholly-owned subsidiary of the Company, invested in VW Clinical Innovation Technology Limited, which is an e-clinical technology company to adopt an integrated clinical study platform to perform clinical trial management from patient recruitment to data management and reporting in China.

During the Reporting Period, investment in other equities aside from joint ventures and associates amounted to a total of RMB2,122.0 million.

We primarily make investment using our own funds through our venture capital arm, WuXi PharmaTech Healthcare Fund I L.P., which is expected to play an increasingly significant role in contributing to the ecosystem. As of December 31, 2019, followings are some of our largest investments across several different areas in the healthcare industry.

iKang Healthcare Group ("iKang")

iKang is a leading medical examination and health management group in China, providing high-quality medical services including medical examination, disease detection, dental services, private doctors, vaccination and anti-aging. As of December 31, 2019, our Group held approximately 3.7% equity interests in iKang with fair value amounting to RMB465.4 million (representing 1.6% of our total assets).

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

Jinxin Fertility Group Limited (HKEX: 01951)

Jinxin provides human assisted reproductive and other assisted medical services. Jinxin is listed on the Main Board of the Hong Kong Stock Exchange. As of December 31, 2019, our Group held 2.1% equity interests in Jinxin with fair value amounting to RMB404.7 million (representing 1.4% of our total assets).

As of December 31, 2019, Jinxin cooperated with 65 medical institutions, which involve two-way referrals or specialty alliance cooperation agreements. During 2019, Jinxin adhered to its strategy of establishing a leading platform of global assisted reproductive services (ARS) with integrated abilities, aiming to address the increasing demand, in particular from Chinese patients. Chengdu Xinan Hospital provided an array of services to VIP patients to meet the increasing demand for highly personalized and private services.

Based on the public information published by Jinxin, it plans to penetrate the southwest China market (such as Guizhou and Yunnan provinces) and expand services to treat patients from Hong Kong by using its competitive pricing in Shenzhen. In U.S, Jinxin plans to expand its capacity at Pasadena, California, by relocating to a new facility in the first half of 2020, which is expected to double the existing capacity at Pasadena.

Further details of the business and financial performance of Jinxin for the Reporting Period are set out in its latest public filings on the Hong Kong Stock Exchange.

Hua Medicine (HKEX: 02552)

Hua is a China-based, pre-revenue biopharmaceutical company focusing on developing dorzagliatin, a first-in-class oral drug for the treatment of Type 2 diabetes. Hua is listed on the Main Board of the Hong Kong Stock Exchange. As of December 31, 2019, our Group held approximately 7.02% equity interests in Hua with fair value amounting to RMB332.2 million (representing 1.1% of our total assets).

During the Reporting Period, Hua was conducting two Phase III trials in China and two Phase I trials in the United States. The two Phase III registration trials in China include:

- The monotherapy Phase III trial (HMM0301) which completed enrollment on February 28, 2019; and

- The combination with metformin Phase III trial (HMM0302), which completed enrollment on August 30, 2019

Hua announced positive topline results for its 24-week monotherapy Phase III trial (HMM0301) on November 12, 2019; HMM0301 achieved its primary efficacy endpoint during the 24-week period by demonstrating a statistically significant reduction in HbA1c levels over placebo. During the 24-week period, very low incidence of hypoglycemia was observed and dorzagliatin was well tolerated by trial subjects and exhibited a good safety profile.

Hua has also initiated two combination studies with dorzagliatin in clinical trials in the United States, namely DPP-4 combination trial (HMM0111) with first patient dosed in January 2019 and SGLT-2 combination trial (HMM0112) with first patient dosed in April 2019.

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

- 52-week data for HMM301 trial;

- 24-week data for HMM302 trial;

- Potential partnership with global and China diabetes-focused companies relating to dorzagliatin; and

- NDA filing in China of dorzagliatin

Further details of the business and financial performance of Hua for the Reporting Period are set out in its latest public filings on the Hong Kong Stock Exchange.

Genesis Medtech Group Limited ("Genesis")

Genesis provides high-quality research, production and sales services on medical device. As of December 31, 2019, our Group held 15.4% equity interests in Genesis with fair value amounting to RMB321.7 million (representing 1.1% of our total assets). Genesis aspires to become China's largest med-tech company, an integrated platform with comprehensive product portfolio and extensive sales network with a business focus in the high-value medical device area.

Adagene Inc. ("Adagene")

Adagene is a clinical-stage oncology immunotherapy company driven by an antibody discovery and engineering platform. As of December 31, 2019, the Group held 10.3% equity interests in Adagene. The fair market value of the investment was less than 1% of the Group's total assets as of December 31, 2019.

During Fiscal Year 2019, Adagene's lead asset, ADG106, a fully human agonistic monoclonal antibody (mAb) targeting a novel epitope of CD137, is currently in clinical trials conducted both in China and the United States, investigating its safety in advanced and/or refractory solid tumors and lymphomas. Adagene's lead antagonist program, ADG116, is a fully human antagonistic mAb that binds to a unique conserved epitope on CTLA-4. The U.S. Food and Drug Administration (FDA) has approved Adagene's IND application for ADG116. Additionally, Adagene has multiple other products under development. To support further funding on R&D, Adagene announced the completion of USD69 million series D financing, including USD50 million from lead investor General Atlantic, in January 2020.

E. Core Competence Analysis

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

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

We are a global leading integrated end-to-end new drug R&D service platform, enabling pharmaceutical innovations worldwide. Our integrated end-to-end new drug R&D services capability is expected to fully benefit from the rapid development of the global new drug R&D outsourcing services market. We provide comprehensive services that meet diversified customers' demands. We strive to continue to expand our service offering by executing the strategy from "follow the project" to "follow the molecule". At the early stage of new drug R&D, we enable our customers with our expertise and gradually establish a

trusted partnership. At the CRO and CDMO/CMO stage, we provide services from "follow the project" to "follow the molecule", and win more business opportunities in the late development and commercialization stage. During the Reporting Period, 32.3% of our customers used services from more than one of our business units, representing 87.4% of our revenue.

(2) Enabling innovation to strengthen our competitive advantage

Our principle of "enabling innovation" plays a significant part in the way we design, offer and deliver our services, enabling us to deploy our latest know-how and capabilities whenever possible to fulfill our customers' demands and enable them to transform ideas into reality. We are a leading player in terms of capabilities and capacities and have built a strategy that is hard to be duplicated by our competitors. We are able to anticipate technological development and emerging R&D trend of the industry in the future and seize new development opportunities. We have rich experience in cutting-edge expertise, based on which we further explore technologies such as AI, medical big data and laboratory automation, etc. and strives to apply them in R&D of new drugs as early as possible to help our customers to increase their R&D efficiency and lower the entry barrier of pharmaceutical R&D. Leveraging our deep insights on industrial trends and emerging technologies, we enable our customers with the latest scientific and technological discoveries and convert them to potential products.

Taking the PROTAC (Proteolysis Targeting Chimera) drug discovery platform as an example, we began building this drug discovery platform in 2014. In 2019, our PROTAC platform generated RMB474 million revenue from biotech customers, up by about 90% compared with 2018. This is a totally new class of small molecule drugs and a completely new market. We hope to cultivate many more new technology platforms like PROTAC. This platform also demonstrates the power of our "long-tail" strategy as nowadays, new technologies and inventions are residing more and more with small biotech companies.

(3) Leverage our knowledge of the industry and customer needs, further strengthen our platform through organic growth and merger and acquisition

We have accumulated extensive industry experience after 19 years of rapid growth. We have provided services to and established trusted partnerships with leading domestic and international pharmaceutical companies. We have a deep understanding of the customers' demands and are aware of the latest development trends. Through ongoing strengthening of capabilities and expansion of scale as well as strategic M&As, we continue to provide more premium, and comprehensive services to our customers.

In terms of organic growth, we continued to enhance our capacities and capabilities across all segments and facilities globally. During the Reporting Period, our newly built Nantong research and development center began operation, and will become an extension of our Shanghai headquarter in the future. We expanded the Suzhou safety assessment facility by increasing toxicology capacity by 80% to meet global customers' preclinical testing needs. Three of our Laboratory Testing Division's facilities, namely Drug Safety Testing facility in Suzhou, Bioanalytical Services laboratories in Shanghai, and Medical Device Testing facility in Suzhou, completed regulatory inspections by FDA, OECD, and CNAS, all with excellent results. Our cell and gene therapies CDMO/CMO facility in Wuxi began operation, providing services to customers in China. Our subsidiary STA's 5th API manufacturing workshop in Changzhou began operation in the third quarter of 2019. STA's new drug product manufacturing facility in Shanghai passed its first GMP inspection by the MPA. STA's GMP testing facility in Shanghai and API process R&D and manufacturing facility in Changzhou successfully passed two inspections by the FDA, with no Form 483 (i.e. a form used by the FDA to document and communicate concerns discovered during the inspections) issued. STA's Jinshan manufacturing facility successfully passed an inspection by the EMA with no critical and no major findings.

In January 2020, STA opened its large-scale oligonucleotide API manufacturing facility in Changzhou, China, with over 30,000 square feet and can manufacture oligonucleotide APIs up to 1 mol/synthesis run, supporting the process R&D and manufacture of oligonucleotide APIs from preclinical to commercial. Also in January 2020, our Philadelphia cell and gene therapies facility expanded its service capabilities by offering a fully integrated AAV Vector Suspension Platform. Our 500L and 1,000L bio-reactors will begin operation in the third quarter of 2020, which will help to accelerate the timeline for cell and gene therapy development, manufacturing and release.

In terms of mergers and acquisitions, we have made a number of high-quality transactions such as AppTec Inc., Abgent Inc., Crelux GmbH, HD Biosciences Inc. and WuXi Clinical Development Inc. (previously named, "**Research Point Global**"), etc. successively and integrated their businesses with our existing business to optimize our industry chain while creating synergies. In May 2019, we acquired Pharmapace, Inc., a California clinical research services company with expertise of providing high quality biometrics services. Leveraging our biometrics services platform in China and the United States, we can provide high-quality and efficient cross-border biometrics services for customers 24 hours a day. Should there be any appropriate opportunities in the future, we will continue to enhance CRO and CDMO/CMO service capabilities through M&A.

(4) We have a strong, loyal and expanding customer base and will continue to grow our network within the healthcare ecosystem

We have a strong, loyal and expanding customer base. During the Reporting Period, we added over 1,200 new customers and provided services to more than 3,900 active customers in over 30 countries, including all of the top 20 global pharmaceutical companies, according to Frost & Sullivan. During the Reporting Period, the top 20 global pharmaceutical companies contributed to 32.5% of our revenue. We also enjoyed 100% retention for our top 10 customers from 2015 to 2019. During the Reporting Period, 91.2% of our revenue came from repeat customers and 8.8% of our revenue came from newly added customers. As our service capabilities continue to expand, the number of our customers continue to grow. We aim to lower entry barriers for the discovery and development of innovative drugs with respect to capabilities, capacities and capital, and are committed to embracing demands of new and existing customers, thereby attracting new participants to join the evolving healthcare ecosystem. Through this lowering of entry barriers, we believe that we are able to catalyze and benefit from the continuous transformation of the healthcare ecosystem. By nurturing and incubating the rise of new business models and encouraging participants to develop new drugs and healthcare products, we drive the creation of new knowledge and technologies, stimulate new demand and improve efficiency, which further drives innovation and fuels the growth of all participants.

In addition, we have also enhanced our healthcare data capacity to improve pharmaceutical R&D efficiency through data collection, analysis and validation. We envisage cutting-edge technologies, such as big data and AI, transforming conventional business models and breaking-down barriers of healthcare data analytics through data-driven solutions. By harnessing the industry's collective wisdom, we can deliver vast improvements in productivity and expedite the development of new healthcare products. We have established our internal digital department with highly capable and versatile background. During the Reporting Period, with CDMO service as the pilot program, we have combed through the core business processes of STA and their relevant data assets, as well as constructed a common data model that includes the entire end-to-end business process of the pharmaceutical industry. With a clear focus on business process management and intelligent resource scheduling, the team has developed applications that meet key company business requirements in ways that improve both efficiency and transparency. We have invested in and co-founded PICA, a mobile application education platform company reaching approximately 2 million community doctors. PICA enables community doctors working in China's rural areas and helps early diagnostic, chronic diseases management and accelerate clinical trial patient recruitment. We have also established CW Data Co., Ltd, a joint venture with China Electronics Corporation to develop healthcare data products and services. The joint venture provides healthcare data solutions to pharmaceutical companies, biotechnology companies, insurance companies, government agencies, research institutes and other life science industry institutions.

(5) Experienced management team with vision and ambition

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

F. Other Events

(1) The delisting of STA

On March 10, 2019, the board of directors of the Company (the "**Board**") held a meeting at which it was proposed that the Company shall seek delisting of STA (the "**Proposed Delisting**"), a subsidiary of the Company, from the National Equities Exchange and Quotations (全國中小企業股份轉讓系統) ("**NEEQ**"). The Board believes that the Proposed Delisting would allow STA to focus on long-term development strategy and enhance operational efficiency, and save unnecessary administrative and other listing-related costs and expenses. On April 24, 2019, STA held the annual general meeting for 2018, at which resolutions in relation to the Proposed Delisting, amongst others, the Resolution on the proposed application for the delisting of the shares of STA from NEEQ were considered and approved. According to the letter regarding the approval for the Delisting of Shanghai SynTheAll Pharmaceutical Co., Ltd from the NEEQ (Gu Zhuan Xi Tong Han[2019] No.2340)(《關於同意上海合全藥業股份有限公司股票終止在全國中小企業股份轉讓系統掛牌的公告》(股轉系統公告[2019]2340號)) issued by NEEQ on June 24, 2019, the shares of STA were delisted from NEEQ on June 26, 2019.

(2) Connected transactions in relation to the proposed acquisitions of equity interest in STA from connected vendors

On April 17, 2019, the Board resolved that the Group shall use up to RMB3,100 million to acquire through WuXi AppTec (Shanghai) Co., Ltd. (上海藥明康德新藥開發有限公司) ("**WXAT Shanghai**"), in addition to any domestic shares of STA acquired by WXAT Shanghai in the 12 months preceding the passing of the resolutions, all the outstanding STA Shares from the dissenting STA shareholders and other minority STA shareholders (the "**Minority STA Shareholders**") pursuant to the Proposal on the Protection Measures Regarding the Interests of Dissenting Shareholders (《異議股東保護方案》) passed by the board of

directors of STA on April 4, 2019, to protect the interests of dissenting STA shareholders in respect of the Proposed Delisting (the "**Proposed Acquisition**"). The consideration of the Proposed Acquisition shall be determined based on the timing of the acquisition of the STA Shares by the Minority STA Shareholders, which for any Minority STA Shareholders acquiring before the announcement of the Proposed Delisting, shall be the higher of (i) RMB48.00 per STA Share; or (ii) the original acquisition cost of such Minority STA Shareholders. The Minority STA Shareholders include seven connected persons of the Company holding an aggregate of 5,722,802 STA Shares, On April 17, 2019, as part of the Proposed Acquisitions, the Board resolved to acquire from the connected vendors their STA Shares (the "**Connected Acquisitions**"). The connected vendors are (i) Dr. Ge Li who is a director of the Company (the "**Director**") and chief executive officer of the Company and a director of STA; (ii) Mr. Edward Hu who is a Director and co-chief executive officer of the Company and a director of STA; (iii) Mr. Xiaozhong Liu who is a Director of the Company and STA; (iv) Mr. Zhaohui Zhang who is a Director of the Company and STA; (v) Mr. Minzhang Chen who is a director and chief executive officer of STA; (vi) Mr. Harry Liang He who is a supervisor of the Company and STA; and (vii) Ms. Xiangli Liu who is a supervisor of STA. On July 2, 2019, WXAT Shanghai and each of the connected vendors executed an equity transfer agreement in respect of the Connected Acquisitions. The consideration payable amounted to an aggregate of RMB274.69 million.

(3) Adoption of the Restricted A Shares and Stock Option Incentive Plan of 2019 (the "2019 A Share Incentive Plan")

To establish and improve the long-term incentive mechanism of the Company, attract and retain talents, fully motivate the core personnel of the Company and effectively integrate the interests of the Shareholders, the Company and core team members so that the parties will make joint efforts for the sustainable development of the Company, the 2019 A Share Incentive Plan has been made on the premise of fully safeguarding the interests of Shareholders, in line with the principle of benefits being in proportion to contributions and in compliance with the PRC Company Law, the PRC Securities Law, the Administrative Measures and other relevant laws and regulations as well as the articles of association of the Company (the "**Articles of Association**"). On July 19, 2019, the Board considered and approved a resolution to issue up to an aggregate of 21,055,530 restricted A Shares (the "**2019 Restricted A Shares**") or share options of the Company under the 2019 A Share Incentive Plan. The total participants of the 2019 A Share Incentive Plan is 2,534 including the Directors, members of the senior-level management (including senior management), mid-level managers and backbone members of our technicians and basic-level managers and other technicians.

(4) Adoption of the Share Appreciation Right Plan of 2019

The Board has resolved on July 19, 2019 to adopt the 2019 share appreciation incentive scheme (the "**2019 Share Appreciation Scheme**"). Under the 2019 Share Appreciation Scheme, share appreciation rights will be granted to eligible participants with each of them being notionally linked to one H Share, and will confer the right to gain specified amount of benefits in cash from the increase in market price of the relevant H Shares. No H Shares will actually be issued to any participants.

(5) Grant of reserved interests to the participants under the 2018 Restricted Shares and Stock Option Incentive Plan of the Company (the "2018 WuXi AppTec A Share Incentive Scheme")

The Board is of the view that the conditions of the grant of reserved interests under the 2018 WuXi AppTec A Share Incentive Scheme have been fulfilled, and has resolved to grant 542,017 restricted domestic shares of the Company granted under the 2018 WuXi AppTec A Share Incentive Scheme (the "**Restricted A Shares**") to 21 participants, all of such to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, are independent third parties from the Company and its connected persons; and 287,000 share options to two participants, one of such is a connected person of the Company with July 19, 2019 confirmed as the date of grant (the "**Reserved Share Option**"). Pursuant to the 2018 WuXi AppTec A Share Incentive Scheme, the grant price of the Reserved Restricted A Shares granted shall be RMB32.44 per Share and the exercise price of the Reserved Share Options granted shall be RMB64.88 per Share.

(6) Buyback and cancellation of restricted shares under the 2018 WuXi AppTec A Share Incentive Scheme

As eleven of the grantees of the 2018 WuXi AppTec A Share Incentive Scheme had resigned from the Company and terminated their employment contracts with the Company, they no longer fulfilled the conditions for unlocking. Pursuant to the 2018 WuXi AppTec A Share Incentive Scheme, on March 22, 2019, the Board considered and approved the buyback and cancellation of 31,347 Restricted A Shares which were granted to the aforesaid grantees which had not been unlocked at a price of RMB45.53 per Share for the buyback. The total consideration for the buyback amounted to RMB1,427,228.91. Such portion of Shares were cancelled on June 18, 2019.Due to (1) the resignation of 41 grantees of the 2018 WuXi AppTec A Share Incentive Scheme; and (2) the

completion of the profit distribution plan for the year ended December 31, 2018 (the "**2018 Profit Distribution Plan**") pursuant to which 4 Shares were issued for every 10 Shares held by the Shareholders on the relevant record date, on July 19, 2019, the Board considered and approved the buyback and cancellation of 338,349 Restricted A Shares which were granted to the aforesaid 41 grantees after adjustment which had not been unlocked at a price of RMB32.15 per Share for the buyback. The total consideration for the buyback amounted to RMB10,877,920.35. Such portion of Shares were cancelled on September 20, 2019.

(7) Capitalization of reserve pursuant to the 2018 Profit Distribution Plan

On June 3, 2019, the 2018 Profit Distribution Plan of the Company was approved at the 2018 annual general meeting, 2019 first session of A Share class meeting and 2019 first session of H Share class meeting. Pursuant to the 2018 Profit Distribution Plan, four Shares of the Company were issued for every ten Shares of the Company held by the Shareholders on the relevant record date by way of capitalization of reserve on July 2, 2019. Accordingly, the total number of Shares of the Company has changed from 1,170,030,939 Shares to 1,638,043,314 Shares, and the registered capital of the Company has changed from RMB1,170,030,939 to RMB1,638,043,314.

(8) The Issue of USD300 million zero coupon Convertible Bonds due 2024

On September 17, 2019, the Company issued USD300 million zero coupon Convertible Bonds due 2024 convertible at the option of the holders thereof into fully paid ordinary H Shares of the Company of par value RMB1.0 each at the initial conversion price of HK$111.8 per H Share. The Board considers that the issue of the Convertible Bonds represents an opportunity to obtain a pool of readily available funds that can better support business expansion of the Company in the long run. The net proceeds from the issue and subscription of the Convertible Bonds pursuant to the subscription agreement dated September 3, 2019 of the Convertible Bonds, after the deduction of fees, commissions and expenses payable, were approximately USD294 million.

(9) Grant of interests to the participants under the 2019 A Share Incentive Plan

On November 25, 2019, the resolution in relation to (1) the adjustments to the number of the participants and number of 2019 Restricted A Shares and share options granted under the 2019 A Share Incentive Plan (the "**2019 Share Options**") under the initial grant of 2019 A Share Incentive Plan (the "**Initial Grant**"); and (2) the Initial Grant of 2019 Restricted A Shares and 2019 Share Options of the Company to participants were approved at the 37th meeting of the

1st session of the Board and the 25th meeting of the 1st session of the supervisory committee of the Company. The Board (including the independent non-executive Directors, except Mr. Edward Hu who abstained from voting for reason of him being one of the participants), is of the view that the conditions of the grant of adjusted Initial Grant under the 2019 A Share Incentive Plan had been fulfilled and resolved to grant 13,400,273 2019 Restricted A Shares and 5,039,904 2019 Share Options to be granted to 2,008 and 460 participants, respectively, with November 25, 2019 confirmed as the date of grant. Pursuant to the 2019 A Share Incentive Plan, the grant price of the 2019 Restricted A Shares granted shall be RMB32.44 per Share and the exercise price of the 2019 Share Options granted shall be RMB64.88 per Share.

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. We enable or assist our customers to carry out new drug R&D in a faster and better way through our own technological and manufacturing platforms. During the Reporting Period, we provided CRO, small molecule CDMO and cell and gene therapies CDMO services through our 29 operation sites and branch offices globally and we have over 3,900 active customers.

The global pharmaceutical R&D and manufacturing service industry is expected to maintain a rapid growth in the foreseeable future. On the one hand, the innovative drug R&D industry has the characteristics of large investment, long cycle and high risk. According to a research and analysis by Deloitte, the R&D returns for large cap biopharma companies have steadily declined from 10.1% in 2020 to 1.8% in 2019. As a result of the decline of R&D returns together with the "patent cliff" faced by drug manufacturers, an increasing number of manufacturers 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. According to Frost & Sullivan, in 2019, there were 9,192 small pharmaceutical companies in the world, accounting for 76.8% of the total pharmaceutical companies. By 2023, it is expected that there will be 13,892 small pharmaceutical companies, accounting for 79.1% of the total pharmaceutical companies. 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. According to Frost &

Sullivan, the size of global pharmaceutical R&D outsourcing services market for drug discovery, preclinical, clinical studies and CMO/CDMO services for small molecular drugs and cell and gene therapies was about USD127.7 billion in 2019, and is expected to reach USD193.7 billion by 2023 with a 2019–2023 CAGR of around 11.0%.

The China CRO market is expected to maintain high speed growth going forward. On one hand, international pharmaceutical companies will continue to increase their overall spending on outsourcing services as a percentage of their total investments in R&D in the future. According to Frost & Sullivan, the proportion of global preclinical and clinical outsourcing investment as a percentage of total investment was 39.5% in 2019, and will continue to increase to 49.3% by 2023. China CROs can provide high quality and cost effective services and will continue to benefit from such development trend for a long period of time.

On the other hand, driven by the reform of the evaluation and approval systems on drugs & medical devices, evaluation of generic drugs and centralized procurement, inclusion of innovative drugs into the National Reimbursement Drug List, domestic CRO demands will continue to grow. R&D service providers with market leading expertise are well-positioned to capture the trend. According to the forecasts by Frost & Sullivan, the size of China-based pharmaceutical R&D outsourcing services market for drug discovery, preclinical, clinical studies and CMO/CDMO services for small molecular drugs and cell and gene therapies was about USD20.1 billion in 2019, and is expected to reach USD43.2 billion by 2023 with a 2019–2023 CAGR of around 21.1%.

B. Development Strategies

We are committed to realize our vision that "every drug can be made and every disease can be treated" through building the open-access platform with the most comprehensive capabilities and technologies in the global healthcare industry. We provide a broad portfolio of R&D and manufacturing services that enable companies in the pharmaceutical, biotech and medical device industries worldwide to advance discoveries and deliver groundbreaking treatments to patients. As an innovation-driven and customer-focused company, we help our partners improve the productivity of advancing healthcare products through cost-effective and efficient solutions.

Today, the healthcare industry is entering an unprecedented golden era of innovation, where data meets knowledge, and technology meets healthcare. The future of R&D will be defined by a profoundly different model. A model where more and more scientists, technologists, entrepreneurs, doctors, and patients will work together and participate in innovation, thanks to data, technologies, and a connected new healthcare ecosystem centered on patient needs. In the future, we will continue to: (1) expand our

capabilities and capacities globally, (2) invest in cutting-edge technologies through in-house R&D and acquisitions; (3) increase customer conversion rate and win new customers; (4) attract, train and retain quality talent to support our rapid growth; and (5) expand our reach within the healthcare ecosystem.

C. Operation Plan

In 2020, we will continue to relentlessly enhance our enabling platform with the most comprehensive capabilities and the most cutting-edge technologies through extensive cooperation. Our goal is to build the foundations upon which any one, and any company, can be empowered to realize their innovation dreams.

(1) Business Continuity Plan

In early 2020, due to the COVID-19 epidemic, the Lunar New Year Holiday in China was extended and operation resumption was delayed in various areas. The Company pays close attention to the development of the epidemic. Our operation resumption arrangements strictly comply with the governmental guidance and requirements for disease control and prevention. We also take prevention measures to ensure the health of our employees and operation safety. As the Company maintains close communication with customers globally, it has won the support of customers and minimized the impact of the epidemic on its business.

We lost about one month of operations in China, with the greatest impact on our Wuhan site, and to some degree on our clinical CRO/SMO business as most hospitals in China stopped study monitoring visits and patient enrollment during the outbreak. However, the Company implemented our Business Continuity Plan very early on to minimize the impact to customers' project delivery timelines. We made extraordinary efforts to prepare for the resumption of operations across all of our sites in China, with our top priority being compliance with government regulations and protecting our employees' health and safety. By leveraging our multi-site operations, certain high priority projects were transferred from our Wuhan site to other sites to sustain project delivery timelines as much as possible, with our customers' agreement. Prior to the COVID-19 outbreak, we were expecting yet another year of strong revenue growth in 2020. As a result of the timely implementation of our Business Continuity Plan, we expect that we will win back some lost time and reduce the COVID-19 impact to potentially two to three weeks of operations.

The fundamentals of our business remain very strong, and we expect that we can continue to meet customer demand and project delivery schedules going forward, even as our U.S. facilities begin to experience impacts from COVID-19 pandemic. At present, our China facilities are demonstrating strong resiliency, as China moves into a next phase in rising to the challenge of the pandemic. We therefore expect that our China operations will assume even greater responsibilities than usual for keeping the R&D and manufacturing engine humming. Looking ahead, we are exploring opportunities to expand our manufacturing capabilities and capacities in the U.S., including via acquisitions and new site build-outs in order to meet global customers' future supply chain needs. We are also actively using new communication technologies like Zoom to keep in close communication with our global customers. With our global footprint and telecommunication technologies, we are enabling our customers to work at home while they collaborate with us to advance their R&D programs.

(2) Platform Building

On one hand, we will continue to build our capabilities and capacities globally. We will continue to build research laboratories in Chengdu, build a chemistry R&D center in Changshu, build cell and gene therapies laboratory and manufacturing facilities in Lingang, Shanghai, build chemistry process development laboratories in Jinshan, expand drug product R&D and manufacturing facilities in Wuxi, expand API manufacturing facilities in Changzhou, expand our SMO clinical research platform and big data analytics platform across the nation, set up our bioanalytical laboratory in San Diego, U.S. and expand our cell and gene therapy matched facility in Philadelphia, U.S., etc. Moreover, in case of any suitable opportunity presents itself in the future, we will also enhance our CRO and CDMO/CMO service capabilities through M&A.

On the other hand, we will further explore advantages of the integrated end-to-end R&D services platform. We will continuously provide innovative and diversified services when pushing forward drug R&D value chain and starting new projects by our customers, namely, at CRO and CDMO/CMO stage, continuously expand our services offering by evolving from "following the project" to "following the molecule".

(3) Customer Strategy

We are committed to further improvement of customer satisfaction through providing high-quality and efficient services and strict IP protections to our customers. Moreover, we will continue to add more new customers from domestic market and overseas, in particular, "long-tail" customers. We will attract more participants to join the new drug R&D industry and enable more customers to help them succeed through ongoing reduction of entry barrier of drug R&D industry.

The COVID-19 outbreak in 2020 lead to extended Lunar New Year Holiday in China. The Company is closely monitoring this dynamic situation and is complying with guidance from the relevant authorities. We are also mindful of the needs of our customers and employees and our management team is working vigilantly to implement our Business Continuity Plan. We expect that the situation will not have a significant impact on the delivery schedule of our projects

(4) Quality and Compliance

We have always adhered to the highest international quality standard and attached great importance to our compliance with relevant laws and regulations. We have developed systems concerning quality control, safety in production, IP protection, sales management, financial & accounting management, Business Continuity Plan, etc. In 2020, we will continue to refine and implement our standard operating procedures to prevent incurrence of accident and facilitate sound growth of all segments.

(5) Innovation and Development

We will continue to use the latest technology to enable global pharmaceutical innovation. We have the global-leading new drug R&D platform and extensive experience of cutting-edge projects and closely followed the forefront of new drug R&D technological development, based on which, we will explore cutting-edge technologies such as AI, medical big data and laboratory automation, etc. and strive to apply them in R&D of new drugs as early as possible to help its customers to increase their R&D efficiency and reduce the R&D barrier of new drugs to the greatest extent.

We are committed to digital transformation, with an emphasis on maximally utilizing data assets. On the basis of our CDMO business process digitalization pilot program, we will continue to optimize business value realization through important data collaborations with other business units and operational units.

(6) Team of Talents

We will continue to introduce, foster and retain top talents within the industry. We have taken specific initiatives including: (1) establishing a fair and transparent performance appraisal system, and strengthen our result-oriented evaluation system; (2) providing concrete promotion opportunities; (3) providing technical and management trainings; and (4) offering market-oriented compensations to further improve our medium and long-term incentive mechanism.

(7) Corporate Culture

We will continue to uphold our core value of "honesty and dedication, working together and sharing success; doing the right thing and doing things well" and firmly implement our code of conduct of "customer first, honesty and integrity, ongoing improving, efficient implementation, cross-functional collaboration, transformation and innovation" and enhance our core competitiveness under the guideline of "promoting development, encouraging competitions and rewarding winners".

D. 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 adverse impact on our business operation.

(2) Risk of Changes in Regulatory Policy of the Industry

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

(3) Risk of Heightened Competition in the Drug R&D Services Industry

Currently, competition in the global drug R&D services market is getting increasingly intense. Our competitors in particular segments mainly include specialized CROs/CMOs/CDMOs and in-house R&D department of large pharmaceutical companies, among which, most are large global pharmaceutical companies or R&D organizations, which may enjoy advantages over us in terms of financial strength, technological capabilities and customer base.

Besides the aforementioned incumbents, we also face competition from new entrants, which either have more solid capital strengths or more effective business channels or stronger R&D capability 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 complete 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 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 purchased 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 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 below 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 acquire 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 acquire the targets identified despite spending significant amount of time and resources on pursuing such acquisition or investment. 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) Risk of impact on our assets at FVTPL by market fluctuation

Value of our assets or liabilities measured at fair value through profit or loss ("**FVTPL**"), such as investments in listed companies and other non-listed portfolios, derivative component of Convertible Bonds, foreign currency forward contract and biological assets etc., are determined at the fair value at the end of each reporting period, with the changes in fair value recognized in current profit and loss. Among which the value of our investments in listed companies and other non-listed portfolios is recorded as other non-current financial assets measured at FVTPL, the value of which could be greatly affected by market fluctuations. At the end of the Reporting Period, the balance of our investments in listed companies and other non-current financial assets measured at FVTPL was RMB4,009.08 million. In 2019 and 2018, fair value change of our investments in listed companies and other non-current financial assets measured at FVTPL were RMB180.18 million in losses and RMB615.63 million in gains, respectively, with a variance of RMB795.81 million. As the Company pays close attention to the invested listed companies with a view to making timely and ongoing investment decisions with these investee companies, it is noted that recently the significant negative effects on the financial markets and economic conditions are increasingly apparent and global equity markets have exhibited huge fluctuations and volatility due to the outbreak of COVID-19. 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 such fluctuations which will further bring significant negative effect to our net profit.

(9) 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 2019, 2018 and 2017 were RMB20.7 million, RMB31.0 million and RMB(138.9) million, 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.

(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 December 31, 2019, the Group had 21,744 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 training 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 courses for management personnel.

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

The 2018 WuXi AppTec A Share Incentive Scheme

As eleven of the grantees of the 2018 WuXi AppTec A Share Incentive Scheme had resigned from the Company and terminated their employment contracts with the Company, they no longer fulfilled the conditions for unlocking. Pursuant to the 2018 WuXi AppTec A Share Incentive Scheme, on March 22, 2019, the Board considered and approved the buyback and cancellation of 31,347 Restricted A Shares which were granted to the aforesaid grantees which had not been unlocked at a price of RMB45.53 per Share for the buyback. The total consideration for the buyback amounted to RMB1,427,228.91. Such portion of Shares were cancelled on June 18, 2019.

Due to (1) the resignation of 41 grantees of the 2018 WuXi AppTec A Share Incentive Scheme; and (2) the completion of the 2018 Profit Distribution Plan pursuant to which 4 Shares were issued for every 10 Shares held by the Shareholders on the relevant record date, on July 19, 2019, the Board considered and approved the buyback and cancellation of 338,349 Restricted A Shares which were granted to the aforesaid 41 grantees after adjustment which had not been unlocked at a price of RMB32.15 per Share for the buyback. The total consideration for the buyback amounted to RMB10,877,920.35. Such portion of Shares were cancelled on September 20, 2019.

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.

FINAL DIVIDEND AND CONVERSION OF RESERVE TO SHARE CAPITAL

The Board proposed a profit distribution plan for the year ended December 31, 2019 (the "**2019 Profit Distribution Plan**") as follows: (1) a cash dividend of RMB3.37(inclusive of tax) for every 10 Shares (representing an aggregate amount of RMB556,429,640.95 (inclusive of tax) based on the total issued Shares of the Company as of the date of this announcement), and (2) 4 new Shares for every 10 existing Shares of the Company to be issued out of reserve to all Shareholders (the "**Capitalization Issue**"). The 2019 Profit Distribution Plan is subject to, amongst others, approval by Shareholders at the forthcoming annual general meeting of the Company ("**AGM**") and the class meetings of the Company ("**Class Meetings**") and application be made to and approved by Hong Kong Stock Exchange for the listing of and permission to deal in the new H Shares (in respect of the Capitalization Issue). Subject to the approval of the Shareholders at the AGM and the Class Meetings, the 2019 Profit Distribution Plan is expected to be paid to the eligible Shareholders by no later than June 30, 2020.

A circular containing further details as to, amongst others, the applicable foreign exchange rate for the proposed cash dividend, the conversion of reserve to share capital, the relevant record date and book closure period will be despatched to the Shareholders in due course.

AGM AND PERIOD OF CLOSURE OF REGISTER OF MEMBERS

The Company will arrange the time of convening the forthcoming AGM as soon as practicable, and the notice of the AGM will be published and dispatched to the Shareholders in a timely manner in accordance with the requirements of the Listing Rules and the Articles of Association. Once the date of the AGM is finalized, the Company will publish the period of closure of register of members of H Shares of the Company in a separate announcement and in the notice of the AGM.

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 the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "**Listing Rules**") and as modified by the waiver granted by the Stock Exchange upon its listing on the Hong Kong Stock Exchange on December 13, 2018.

CORPORATE GOVERNANCE

The Company recognizes the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of the Shareholders as a whole. The Company has adopted corporate governance practices based on the principles and code provisions as set out in the Corporate Governance Code (the "**CG Code**") as contained in Appendix 14 to the Listing Rules as its own code of corporate governance practices.

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

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

REVIEW OF FINANCIAL STATEMENTS

Audit Committee

The audit committee of the Company (the "**Audit Committee**") comprises three independent non-executive Directors, namely Dr. Hetong Lou, Mr. Xiaotong Zhang and Ms. Yan Liu. The chairman of the Audit Committee is Dr. Hetong Lou. The Audit Committee has reviewed with management and external auditor the consolidated financial information for the year ended December 31, 2019, 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 figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended December 31, 2019 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL 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 annual report of the Company for the year ended December 31, 2019 will be despatched to the Shareholders and published on the aforesaid websites in due course.

The Board is pleased to announce that the consolidated annual results of the Group for the year ended December 31, 2019 (the Reporting Period) with the comparative figures in the corresponding period in 2018 are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended December 31, 2019

	Notes	**2019** ***RMB'000***	2018 *RMB'000*
Revenue	*5*	**12,872,206**	9,613,684
Cost of services		**(7,866,058)**	(5,836,765)
Gross profit		**5,006,148**	3,776,919
Other income	*6*	**249,497**	156,417
Other gains and losses	*7*	**(188,847)**	600,588
Impairment losses under expected credit losses ("**ECL**") model, net of reversal		**(43,165)**	(10,521)
Selling and marketing expenses		**(438,540)**	(337,878)
Administrative expenses		**(1,509,000)**	(1,152,592)
Research and development expenses		**(590,389)**	(436,533)
Operating profit		**2,485,704**	2,596,400
Share of profits of associates		**18,589**	104,601
Share of losses of joint ventures		**(39,306)**	(27,770)
Finance costs	*8*	**(128,019)**	(92,407)
Profit before tax		**2,336,968**	2,580,824
Income tax expense	*9*	**(425,559)**	(247,143)
Profit for the year		**1,911,409**	2,333,681
Profit for the year attributable to:			
Owners of the Company		**1,854,551**	2,260,523
Non-controlling interests		**56,858**	73,158
		1,911,409	2,333,681
Earnings per Share (expressed in RMB per Share)			
— Basic	*12*	**1.14**	1.59
— Diluted	*12*	**1.12**	1.58

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2019

	Note	**2019** ***RMB'000***	2018 *RMB'000*
Profit for the year		**1,911,409**	2,333,681
Other comprehensive income (expense) for the year			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		**50,776**	84,430
Fair value gain (losses) on — hedging instrument designated in cash flow hedges		**58,048**	(83,211)
Other comprehensive income for the year, net of income tax		**108,824**	1,219
Total comprehensive income for the year		**2,020,233**	2,334,900
Attributable to:			
Owners of the Company		**1,954,504**	2,267,727
Non-controlling interests		**65,729**	67,173
		2,020,233	2,334,900

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2019

	Notes	**2019** **RMB'000**	2018 RMB'000
Assets			
Non-current Assets			
Property, plant and equipment		**7,665,990**	6,057,611
Right-of-use assets		**1,564,438**	—
Goodwill		**1,362,176**	1,144,076
Other intangible assets		**495,874**	347,949
Prepaid lease payments		**—**	272,306
Interests in associates		**768,292**	618,736
Interests in joint ventures		**25,215**	36,822
Deferred tax assets		**262,215**	250,175
Financial assets at fair value through profit or loss ("**FVTPL**")	*13*	**4,009,081**	2,079,311
Other non-current assets		**62,391**	47,378
Biological assets		**360,254**	—
Amounts due from related parties		**174**	—
Total Non-current Assets		**16,576,100**	10,854,364
Current Assets			
Inventories		**1,208,320**	854,761
Contract costs		**180,201**	97,712
Biological assets		**353,964**	—
Amounts due from related parties		**13,342**	13,882
Trade and other receivables	*14*	**3,555,889**	2,498,696
Contract assets	*14*	**379,396**	384,530
Prepaid lease payments		**—**	6,237
Income tax recoverable		**6,286**	34,028
Financial assets at FVTPL	*13*	**1,701,638**	2,125,334
Derivative financial instruments	*19*	**36,755**	37,054
Pledged bank deposits	*15*	**3,950**	2,913
Bank balances and cash	*15*	**5,223,293**	5,757,691
Total Current Assets		**12,663,034**	11,812,838
Total Assets		**29,239,134**	22,667,202

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2019

	Notes	**2019** ***RMB'000***	2018 *RMB'000*
EQUITY AND LIABILITIES			
Equity			
Share capital	*20*	**1,651,127**	1,164,741
Reserves		**15,661,128**	16,523,280
Equity attributable to owners of the Company		**17,312,255**	17,688,021
Non-controlling interests		**97,455**	477,210
Total Equity		**17,409,710**	18,165,231
Liabilities			
Non-current Liabilities			
Borrowings		**762,400**	15,000
Deferred tax liabilities		**231,098**	111,747
Deferred income		**667,382**	418,843
Lease liabilities		**1,104,689**	—
Convertible bonds-debt component	*17*	**1,874,915**	—
Convertible bonds-embedded derivative component	*17*	**298,013**	—
Financial liabilities at FVTPL	*18*	**24,729**	—
Other long-term liabilities		**231,812**	194,323
Total Non-current Liabilities		**5,195,038**	739,913
Current Liabilities			
Trade and other payables	*16*	**3,392,829**	2,610,553
Amounts due to related parties		**24,796**	12,015
Derivative financial instruments	*19*	**86,378**	153,292
Contract liabilities		**897,140**	681,863
Borrowings		**1,809,857**	120,000
Lease liabilities		**142,497**	—
Financial liabilities at FVTPL	*18*	**19,499**	—
Income tax payables		**261,390**	184,335
Total Current Liabilities		**6,634,386**	3,762,058
Total Liabilities		**11,829,424**	4,501,971
Total Equity and Liabilities		**29,239,134**	22,667,202

1. GENERAL INFORMATION

The Company was incorporated in the PRC on March 1, 2017 as a joint stock limited liability company under the PRC laws upon the conversion of WuXi AppTec Ltd. (formerly known as WuXi PharmaTechs Co., Ltd.), a company with limited liability incorporated in the PRC in December 2000. The Company completed its initial public offering and listing of 104,198,556 A Shares on the Shanghai Stock Exchange (stock code: 603259.SH) on May 8, 2018. The Company completed its public offering and listing of 116,474,200 H Shares of the Company ("**H Shares**") on the Main Board of 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. 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 consolidated financial statements.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with the accounting policies which conform to International Financial Reporting Standards ("**IFRSs**") issued by International Accounting Standards Board (the "**IASB**"). In addition, the consolidated financial statements include applicable disclosures required by the Listing Rules and by the Hong Kong Companies Ordinance.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Other than changes in accounting policies resulting from application of new and amendments to IFRSs, the accounting policies and methods of computation used in the consolidated financial statements for the year ended December 31, 2019 are the same as those presented in the Group's annual financial statements for the year ended December 31, 2018.

New and Amendments to IFRSs that are mandatorily effective for the current year

The Group have applied the following new and amendments to IFRSs issued by the IASB for the first time in the current year:

IFRS 16	Leases
IFRIC 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRSs	Annual Improvements to IFRSs 2015–2017 Cycle

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

IFRS 16

The Group has applied IFRS 16 for the first time in the current year. IFRS 16 superseded IAS 17 Leases ("**IAS 17**"), and the related interpretations.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at January 1, 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at December 31, 2018 *RMB'000*	**Adjustments** *RMB'000*	**Carrying amounts under IFRS 16 at January 1, 2019** *RMB'000*
Non-current Assets			
Prepaid lease payments	272,306	(272,306)	—
Right-of-use assets	—	999,868	999,868
Other non-current assets	47,378	(6,828)	40,550
Deferred tax assets	250,175	(7,234)	242,941
Current Assets			
Prepaid lease payment	6,237	(6,237)	—
Capital and Reserves			
Reserves	16,523,280	(28,408)	16,494,872
Non-controlling interests	477,210	(1,124)	476,086
Current Liabilities			
Lease liabilities	—	161,885	161,885
Non-current Liabilities			
Lease liabilities	—	629,093	629,093
Other long-term liabilities	194,323	(54,183)	140,140

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 site management organization (SMO) services. Clinical development services include project planning, clinical operation and monitoring and managements of phase I-IV clinical trials, outcomes research and medical device trials; embedded outsourcing; and clinical informatics, respectively. SMO services include project management and clinical site management services.
Manufacturing services ("**CMO/CDMO services**")	CMO/CDMO services stands as an integrated platform to support the development of manufacturing processes and the production of advanced intermediates and active pharmaceutical ingredients and formulation development and dosage drug product manufacturing, for preclinical, clinical trials, new drug application, and commercial supply of chemical drugs as well as wide spectrum development from early to late stage.
Others	Others mainly include the administrative service income, sales of raw material and sales of scrap materials.

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

	Year ended December 31, 2019					
	China-based laboratory services *RMB'000*	**U.S.-based laboratory services** *RMB'000*	**Clinical research and other CRO services** *RMB'000*	**CMO/ CDMO services** *RMB'000*	**Others** *RMB'000*	**Total** *RMB'000*
Segment revenue	**6,473,214**	**1,562,928**	**1,062,790**	**3,752,054**	**21,220**	**12,872,206**
Segment results	**2,778,088**	**474,808**	**254,404**	**1,495,802**	**3,046**	**5,006,148**
Unallocated amount:						
Other income						**249,497**
Other gains and losses						**(188,847)**
Impairment losses under ECL model, net of reversal						**(43,165)**
Selling and marketing expenses						**(438,540)**
Administrative expenses						**(1,509,000)**
Research and development expenses						**(590,389)**
Share of profits of associates						**18,589**
Share of losses of joint ventures						**(39,306)**
Finance costs						**(128,019)**
Profit before tax						**2,336,968**

	Year ended December 31, 2018					
	China-based laboratory services *RMB'000*	U.S.-based laboratory services *RMB'000*	Clinical research and other CRO services *RMB'000*	CMO/ CDMO services *RMB'000*	Others *RMB'000*	Total *RMB'000*
Segment revenue	5,113,405	1,204,153	584,630	2,698,885	12,611	9,613,684
Segment results	2,201,791	289,263	168,408	1,113,994	3,463	3,776,919
Unallocated amount:						
Other income						156,417
Other gains and losses						600,588
Impairment losses under ECL model, net of reversal						(10,521)
Selling and marketing expenses						(337,878)
Administrative expenses						(1,152,592)
Research and development expenses						(436,533)
Share of profits of associates						104,601
Share of losses of joint ventures						(27,770)
Finance costs						(92,407)
Profit before tax						2,580,824

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:

	Year ended 31/12/2019	Year ended 31/12/2018
	RMB'000	*RMB'000*
Revenue		
— PRC	**2,965,615**	2,444,621
— Asia-others	**519,649**	282,356
— USA	**7,683,496**	5,246,260
— Europe	**1,536,124**	1,514,284
— Rest of the world	**167,322**	126,163
	12,872,206	9,613,684

No revenue amounting to 10% or more of the Group's total revenue was derived from sales to a single customer for the years ended December 31, 2019 and 2018. Information about the Group's non-current assets by geographical location of the assets is presented below:

	31/12/2019	31/12/2018
	RMB'000	*RMB'000*
— PRC	**8,814,396**	6,295,753
— Rest of the world	**3,490,234**	2,229,125
	12,304,630	8,524,878

Non-current assets excluding deferred tax assets, rental deposits included in amounts 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 or 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 Segments in Note 4.

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

	Year ended 31/12/2019	Year ended 31/12/2018
	RMB'000	*RMB'000*
Revenue		
— China-based laboratory services	**6,473,214**	5,113,405
— U.S.-based laboratory services	**1,562,928**	1,204,153
— Clinical research and other CRO services	**1,062,790**	584,630
— CMO/CDMO services	**3,752,054**	2,698,885
— Others	**21,220**	12,611
	12,872,206	9,613,684

Timing of revenue recognition

	Year ended 31/12/2019	Year ended 31/12/2018
	RMB'000	*RMB'000*
Over time		
— China-based laboratory services	**5,400,698**	4,358,565
— U.S.-based laboratory services	**1,562,928**	1,204,153
— Clinical research and other CRO services	**1,062,790**	584,630
— CMO/CDMO services	**355,021**	292,353
— Others	**20,064**	12,440
At a point in time		
— China-based laboratory services	**1,072,516**	754,840
— CMO/CDMO services	**3,397,033**	2,406,532
— Others	**1,156**	171
	12,872,206	9,613,684

The aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) are RMB11,947 million as at December 31, 2019 (December 31, 2018: RMB7,779 million). The expected amount of revenue recognized in 2020 is RMB8,447 million. The management of the Group expects the majority of the transaction price allocated to the unsatisfied contracts as of each reporting date during the Reporting Period will be recognised as revenue within two years from the reporting date.

6. OTHER INCOME

	Year ended 31/12/2019	Year ended 31/12/2018
	RMB'000	*RMB'000*
Interest income from bank	**88,210**	12,195
Government grants and subsidies related to		
— asset *(i)*	**58,386**	34,891
— income *(ii)*	**88,218**	79,726
Dividend income arising from financial assets at FVTPL	**14,683**	29,605
	249,497	156,417

Notes:

(i) The Group has received certain government grants and subsidies to invest in laboratory equipments. The grants and subsidies were recognised 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 recognised 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 recognised in profit or loss in the period in which they become receivable.

7. OTHER GAINS AND LOSSES

	Year ended 31/12/2019	Year ended 31/12/2018
	RMB'000	*RMB'000*
Net foreign exchange gain	**20,668**	31,002
Gain on disposal of financial assets at FVTPL	**39,559**	—
Loss on disposal of plant and equipment	**(4,295)**	(10,382)
Gain on disposal of other intangible assets	**—**	9
Fair value (loss) gain on financial assets at FVTPL	**(84,029)**	694,882
Loss on derivative financial instruments (unrealized)	**(76,604)**	(13,195)
Loss on derivative financial instruments (realized)	**(78,126)**	(102,049)
Fair value gain on biological assets	**4,949**	—
Fair value loss on financial liabilities at FVTPL	**(11,424)**	—
Others	**455**	321
	(188,847)	600,588

8. FINANCE COSTS

	Year ended 31/12/2019	Year ended 31/12/2018
	RMB'000	*RMB'000*
Interest expense on borrowings	**56,428**	81,119
Interest on lease liabilities	**45,682**	—
Effective interest expense on Convertible Bonds	**19,895**	—
Imputed interest expense on payable for acquisition of a property and a subsidiary	**6,014**	11,288
	128,019	92,407

9. INCOME TAX EXPENSE

	Year ended 31/12/2019	Year ended 31/12/2018
	RMB'000	*RMB'000*
Current tax:		
— PRC	**400,412**	284,623
— Hong Kong	**19,605**	1,247
— USA	**31,344**	1,072
— Rest of world	**564**	1,321
	451,925	288,263
(Over) under provision in respect of prior years:		
— PRC	**(20,816)**	(18,853)
— Hong Kong	**(631)**	20
— USA	**11,222**	(28,659)
	(10,225)	(47,492)
Deferred tax:		
— Current year	**(16,141)**	6,372
	425,559	247,143

On March 21, 2018, the Hong Kong Legislative Council passed the Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on March 28, 2018 and was gazette on the following day.

Under the two-tiered profits tax rates regime, the first HK$2,000,000 of profits of qualifying corporations will be taxed at 8.25%, and profits above HK$2,000,000 will be taxed at 16.5%. The two-tiered profits tax rates regime is applicable to the Group's Hong Kong subsidiaries with estimated assessable profits for its annual reporting periods ending on or after April 1, 2018.

The federal corporate tax rate remains at 21% and the state income tax rate remains at a range from 4% to 10 % for the year ended December 31, 2019 and 2018.

The Company and other group entities incorporated in Cayman Islands are not subject to income or capital gains tax under the law of Cayman Islands. In addition, dividend payments are not subject to withholding tax in the Cayman Islands.

The group entities established in British Virgin Islands ("**BVI**") are not subject to income tax or capital gains tax under the law of BVI.

The group entities incorporated in Korea, Netherlands, Germany and United Kingdom are subject to the tax rate at a range from 10% to 25% during the Reporting Period.

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the EIT rate of the PRC subsidiaries is 25% during the Reporting Period unless subject to tax concession set out below.

Certain subsidiaries operating in the PRC were accredited as "High and New Technology Enterprise" or "Advanced Technology Enterprise" for a period of three or four years, and therefore are entitled to a preferential EIT rate of 15% for the Reporting Period. The qualification as a High and New Technology Enterprise will be subjected to review by the relevant tax authority in the PRC for every three years. According to the Notice 2018 No. 76 of the Ministry of Finance, from January 1, 2018, the enterprises that have the qualifications as High and New Technology Enterprise or Advanced Technology Enterprise (hereinafter collectively referred to as qualifications) will be able to make up for the losses that have not been completed in the previous five years before the qualification year. The longest carry-over period is extended from 5 years to 10 years.

10. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	Year ended 31/12/2019	Year ended 31/12/2018
	RMB'000	*RMB'000*
Depreciation for property, plant and equipment	**742,377**	601,441
Depreciation of right-of-use assets	**158,249**	—
Amortization of other intangible assets	**62,725**	39,692
Amortization of prepaid lease payment	**—**	4,052
Expense relating to short-term leases	**15,385**	—
Expense relating to leases of low-value assets that are not shown above as short-term leases	**411**	—
Staff cost (including directors' emoluments):		
— Salaries and other benefits	**4,085,750**	2,569,159
— Retirement benefit scheme contributions	**426,091**	309,506
— Equity-settled share-based payments	**173,470**	43,992
— Cash-settled share-based payments	**21,680**	7,015
Less: capitalised in inventories and contract costs	**(492,049)**	(357,925)
	5,194,089	3,216,932
Auditor's remuneration	**6,193**	7,468

11. DIVIDENDS

Dividends for ordinary Shareholders of the Company recognised as distribution during the year as follows:

	Year ended 31/12/2019	Year ended 31/12/2018
	RMB'000	*RMB'000*
2018 Final-RMB0.58 (inclusive of tax) per ordinary Share (2017: nil)	**678,641**	—

During the Reporting Period, a subsidiary of the Company, declared and paid cash dividends to non-controlling shareholders as follows:

	Year ended 31/12/2019 ***RMB'000***	Year ended 31/12/2018 *RMB'000*
Dividends declared and paid by the Company's subsidiaries to non-controlling shareholders	**—**	19,205

Subsequent to the end of the Reporting Period, the Board proposes the 2019 Profit Distribution Plan as follows: (1) a cash dividend of RMB3.37 (inclusive of tax) for every 10 Shares to be paid to Shareholders of the Company on the record date for determining the Shareholders' entitlement to the 2019 Profit Distribution Plan (representing an aggregate amount of RMB556,429,640.95 (inclusive of tax) based on the total issued Shares of the Company as of the date of this announcement), and (2) 4 new Shares for every 10 existing Shares of the Company to be issued out of reserve to all Shareholders at the forthcoming AGM and the Class Meetings and application be made to and approved by the Hong Kong Stock Exchange for the listing of and permission to deal in the new H Shares (in respect of the capitalization issue).

12. EARNINGS PER SHARE

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

	Year ended 31/12/2019	Year ended 31/12/2018
	RMB'000	*RMB'000*
Earnings:		
Profit attributable to ordinary equity holders of the parent	**1,854,551**	2,260,523
Less: Cash dividends attribute to the Shareholders of restricted shares expected to be unlocked in the future	**(3,263)**	—
Earnings for the purpose of calculating basic earnings per share	**1,851,288**	2,260,523
Effect of dilutive potential ordinary shares:		
Add: Cash dividends attribute to the shareholders of restricted shares expected to be unlocked in the future	**3,263**	—
Effect of share options issued by a subsidiary	**(20,608)**	(15,444)
Earnings for the purpose of calculating diluted earnings per share	**1,833,943**	2,245,079
Number of Shares ('000):		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,629,312**	1,418,908
Effect of dilutive potential ordinary shares:		
Effect of restricted shares issued by the Company	**4,160**	120
Effect of over-allotment option	**163**	—
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**1,633,635**	1,419,028

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 year ended December 31, 2019 and 2018 is based on weighted average number of shares assumed to be in issue after taking into account the effect of restricted shares issued by the Company.

The computation of diluted earnings per share in current year has also assumed the exercise of the Company's over-allotment options granted pursuant to the listing of the Company's shares in the Hong Kong Stock Exchange at the beginning of the current year.

The denominator for the purposes of calculating both basic and diluted earnings per share for the year ended December 31, 2019 and 2018 have been adjusted to reflect the capitalisation issue completed on July 2, 2019 under the 2018 Profit Distribution Plan.

The computation of diluted earnings per share does not assume the conversion of the Company's outstanding Convertible Bonds since their assumed exercise would result in an increase in earnings per share.

The computation of diluted earnings per share does not assume the exercise of the Company's employee share options because the exercise price of those options was higher than the average market price for shares from the grant date of the option.

13. FINANCIAL ASSETS AT FVTPL

	31/12/2019	31/12/2018
	RMB'000	*RMB'000*
Current assets		
Monetary fund investment	**795,702**	1,019,431
Financial products	**905,936**	1,105,903
	1,701,638	2,125,334
Non-current assets		
Listed equity securities	**1,156,949**	940,958
Unlisted equity investments *(Note i)*	**2,563,112**	883,925
Unlisted fund investments *(Note ii)*	**289,020**	254,428
	4,009,081	2,079,311

Notes:

i As at December 31, 2019, the Group has revocably elected to measure investment amounted to RMB554,945,000 (2018: RMB21,613,000) in associates held through venture capital organization of the Group at fair value through profit or loss in accordance with IFRS 9.

ii The fair values of the unlisted investment funds 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

Trade and other receivables

	31/12/2019	31/12/2018
	RMB'000	*RMB'000*
Trade receivables		
— third parties	**2,994,427**	2,015,622
Less: Allowance for credit losses	**(67,572)**	(32,353)
	2,926,855	1,983,269
Other receivables	**14,732**	39,582
Notes receivable	**24,735**	2,709
Prepayments	**92,158**	78,279
Interest receivable	**5,229**	1,297
Prepaid expenses	**24,040**	42,798
Value added tax recoverable	**460,863**	344,760
Rental deposits	**7,277**	6,002
	629,034	475,845
Total trade and other receivables	**3,555,889**	2,498,696

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) presented based on the invoice dates, at the end of each reporting period:

	31/12/2019	31/12/2018
	RMB'000	*RMB'000*
Within 180 days	**2,767,678**	1,806,025
181 days to 1 year	**116,540**	122,368
1 year to 2 years	**33,042**	45,547
More than 2 years	**9,595**	9,329
	2,926,855	1,983,269

In determining the recoverability of the trade receivables, the Group considers any change in the credit quality of the trade receivables from the date on which the credit was initially granted up to the reporting date. The credit quality of the trade receivables that are neither past due nor impaired had not changed during the Reporting Period.

Contract assets

	31/12/2019	31/12/2018
	RMB'000	*RMB'000*
Contract assets	**382,212**	391,067
Less: Allowance for credit losses	**(2,816)**	(6,537)
	379,396	384,530

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

15. BANK BALANCES AND CASH/PLEDGED BANK DEPOSITS

At the end of each reporting period, bank balances and cash of the Group comprised of cash and short term bank deposits with an original maturity of three months or less. The short term bank deposits carry interest at market rates which range from 0.3% to 2.08%, per annum as at December 31, 2019 (December 31, 2018: 0.3% to 3.38%).

Pledged bank deposits represent deposits pledged to banks to issue letter of credit and secure note payable in connection with the purchase of raw materials and plant and equipment by the Group. The pledged bank deposits will be released upon the repayment of relevant letter of credit and note payables.

16. TRADE AND OTHER PAYABLES

	31/12/2019	31/12/2018
	RMB'000	*RMB'000*
Trade payables	**572,507**	379,362
Salary and bonus payables	**758,377**	548,389
Payables for acquisition of plant and equipment	**926,263**	770,516
Payables for acquisition of a property-current portion	**—**	234,808
Payable for acquisition of subsidiaries and a joint venture	**—**	5,000
Accrued expenses	**352,859**	279,244
Other taxes payable	**20,456**	19,589
Interest payable	**5,325**	166
Notes payable	**19,090**	19,363
Others	**56,340**	80,142
Considerations received from employees for subscribing restricted A Shares of the Company under the 2018 and 2019 WuXi AppTec A Share Incentive Scheme	**681,612**	273,974
	3,392,829	2,610,553

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 date at the end of each reporting period:

	31/12/2019	31/12/2018
	RMB'000	*RMB'000*
Within one year	**581,858**	393,163
1 year to 2 years	**5,350**	3,190
2 years to 3 years	**2,501**	883
More than 3 years	**1,888**	1,489
	591,597	398,725

17. CONVERTIBLE BONDS

On September 17, 2019 (the "**Issue Date**"), the Group issued a five-year zero coupon 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 and the conversion price of Convertible Bonds would be adjusted accordingly when the Group distributes stock dividends, issues or places new shares, distributes cash dividend.

On the Maturity Date, the Group will redeem each Bond at 106.43% of its outstanding principal amount from bondholders.

The Group will, at the option of the holder of any Bond, redeem all or some of that holder's Bonds on September 17, 2022 (the "**Put Option Date**") at 103.81% of their outstanding 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 Group 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 amounting to USD271,350,000 (equivalent to RMB1,919,259,000). It is subsequently measured at amortised cost using the effective interest method after considering the effect of the issuance costs.

(b) Derivative component comprises conversion options and early redemption options (not closely related to the debt component), which was initially measured at fair value amounting to USD28,650,000 (equivalent to RMB202,641,000).

The total transaction costs that were related to the issue of the Convertible Bonds, USD6,000,000 (equivalent to RMB42,438,000) were allocated to the debt and derivative components in proportion to their respective fair values.

Transaction costs relating to the derivative component were charged to profit or loss in this year.

Transaction costs relating to debt component are included in the carrying amount of the debt portion and amortised over the period of the Convertible Bonds using the effective interest method.

	Debt components *RMB'000*	**Embedded derivative component** *RMB'000*	**Total** *RMB'000*
Issue of Convertible Bonds	1,919,259	202,641	2,121,900
Issue cost	(38,381)	(4,057)	(42,438)
Issue cost charged into profit or loss immediately	—	4,057	4,057
Exchange adjustments	(25,858)	(2,773)	(28,631)
Interest charge	19,895	—	19,895
Loss arising on changes of fair value	—	98,145	98,145
As at 31 December 2019	1,874,915	298,013	2,172,928

No conversion or redemption of the Convertible Bonds have occurred up to December 31, 2019.

As at December 31, 2019, the derivative component was measured at fair value with reference to valuation report issued by ValueLink Management Consultants Limited. And the changes in fair value are recognised in profit or loss during the year.

18. FINANCIAL LIABILITIES AT FVTPL

	31/12/2019	31/12/2018
	RMB'000	*RMB'000*
Current liability		
Contingent consideration *(Note)*	**19,499**	—
Non-current liability		
Contingent consideration *(Note)*	**24,729**	—

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

The total consideration transferred including cash and contingent consideration is accounted under fair value based on a valuation report issued by ValueLink Management Consultants Limited.

19. DERIVATIVE FINANCIAL INSTRUMENTS

	31/12/2019	31/12/2018
	RMB'000	*RMB'000*
Current assets		
Derivatives under hedge accounting		
Cash flow hedges — Foreign currency forward contracts	**25,240**	6,335
Other derivatives (not under hedge accounting)		
Foreign currency forward contracts and collars	**11,515**	30,719
	36,755	37,054
Current liabilities		
Derivatives under hedge accounting		
Cash flow hedges — Foreign currency forward contracts	**56,381**	106,065
Other derivatives (not under hedge accounting)		
Foreign currency forward contracts and collars	**29,997**	47,227
	86,378	153,292

Derivatives under hedge accounting

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

	Average strike rate as at December 31, 2019	Foreign currency as at December 31, 2019	Notional value as at December 31, 2019	Fair value assets as at December 31, 2019
		USD'000	*RMB'000*	*RMB'000*
Sell USD				
3 to 6 months	7.1150	8,000	56,920	876
7 to 12 months	7.1272	175,000	1,247,264	19,954
Buy RMB				
7 to 12 months	7.0967	56,000	397,413	4,410

	Average strike rate as at December 31, 2019	Foreign currency as at December 31, 2019	Notional value as at December 31, 2019	Fair value liabilities as at December 31, 2019
		USD'000	*RMB'000*	*RMB'000*
Sell USD				
Less than 3 months	6.7951	113,500	771,246	20,643
3 to 6 months	6.8670	123,000	844,640	15,091
7 to 12 months	6.9850	77,000	537,845	2,646
Buy RMB				
Less than 3 months	6.7424	44,000	296,665	10,432
3 to 6 months	6.8022	34,000	231,276	6,557
7 to 12 months	6.9050	10,000	69,050	1,012

On August 31, 2018, the Group entered into a restructuring agreement with a counter bank to replace several forward contracts with new collar contracts. The hedge accounting has been ceased for those forward contracts. As the hedged future sales are still expected to occur, the accumulated hedging reserve amounted to RMB24,639,000 arising from those replaced forward contracts remained in the hedging reserve as at December 31, 2018 and has been reclassified to profit or loss when the actual sales took place in the current year.

As at December 31, 2019, the aggregate amount of losses after tax under foreign exchange forward contracts accumulated in cash flow hedging reserve relating to the exposure on anticipated future sales transactions denominated in USD of subsidiaries operating in the PRC is RMB17,548,000. 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.

As at December 31, 2019, the aggregate amount of losses after tax under foreign exchange forward contracts accumulated in cash flow hedging reserve relating to the exposure on anticipated future purchase transactions denominated in RMB of subsidiary operating in Hong Kong is RMB12,017,000. The subsidiary's functional currency is USD. It is anticipated that the purchases will take place in next 12 months at which time the amount deferred in equity will be included in the carrying amount of inventories. It is anticipated that the inventories will be sold soon after purchase, in which period the amount recognised in other comprehensive income will be reclassified to profit or loss.

As at December 31, 2019, no hedging ineffectiveness has been recognised in profit or loss.

Other derivatives (not under hedge accounting)

The Group also entered into several foreign exchange forward contracts and collar contracts with banks in order to manage the Group's foreign currency exposure in relation to USD against RMB and did not elect to adopt hedge accounting for those contracts. The major terms of these contracts as at December 31, 2019 presented in the consolidated financial statements are as follows:

Outstanding forward contracts	Average strike rate as at December 31, 2019	Foreign currency as at December 31, 2019 *USD'000*	Notional value as at December 31, 2019 *RMB'000*	Fair value assets as at December 31, 2019 *RMB'000*
Sell USD				
7 to 12 months	7.1200	22,000	156,640	2,258
Buy RMB				
Less than 3 months	7.0897	15,000	106,345	1,597
7 to 12 months	7.1218	75,000	534,136	7,660

Outstanding forward contracts	Average strike rate as at December 31, 2019	Foreign currency as at December 31, 2019 *USD'000*	Notional value as at December 31, 2019 *RMB'000*	Fair value liabilities as at December 31, 2019 *RMB'000*
Buy USD				
7 to 12 months	7.0802	22,000	155,765	1,385
Buy RMB				
Less than 3 months	6.7466	63,000	425,034	14,677
3 to 6 months	6.8547	80,000	548,373	10,834
7 to 12 months	6.9426	50,000	347,130	3,101

20. SHARE CAPITAL

	RMB'000
Ordinary Shares of RMB1.00 each	
At December 31, 2017 and January 1, 2018	937,787
Issue of A Shares upon listing on Shanghai Stock Exchange	104,199
Issue of H Shares upon listing on Hong Kong Stock Exchange	116,474
Issue of restricted A Shares under the 2018 WuXi AppTec A Share Incentive Scheme	6,281
At December 31, 2018 and January 1, 2019	1,164,741
Share premium transferred to share capital *(Note)*	468,013
Issue of H Shares under the over-allotment option	5,321
Issue of restricted A Shares under the 2018 & 2019 WuXi AppTec A Share Incentive Scheme	13,422
Repurchase and cancellation of restricted A Shares	(370)
At December 31, 2019	1,651,127

Note: Pursuant to the written resolutions of the Shareholders of the Company passed on June 3, 2019, 4 new Shares for every 10 existing Shares of the Company were issued out of reserve to all Shareholders. As a result, RMB468,013,000 was transferred from share premium to share capital.

21. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the Reporting Period, the Board proposes the 2019 Profit Distribution Plan as follows: (1) a cash dividend of RMB3.37(inclusive of tax) for every 10 Shares to be paid to the Shareholders on the record date for determining the shareholders' entitlement to the 2019 Profit Distribution Plan (representing an aggregate amount of RMB556,429,640.95 (inclusive of tax) based on the total issued Shares as of the date of this announcement), and (2) 4 new Shares for every 10 existing Shares to be issued out of reserve to all Shareholders. The 2019 Profit Distribution Plan is subject to, amongst others, approval by Shareholders at the AGM and the Class Meetings and application be made to and approved by the Hong Kong Stock Exchange for the listing of and permission to deal in the new H shares (in respect of the Capitalization Issue).

Evaluation on the impact of the novel coronavirus pneumonia epidemic

Since the outbreak of the COVID-19 epidemic in China and around the world in January 2020, local governments in various areas including Hubei Province have required local enterprises to strictly implement measures to prevent and control the disease, including travel restrictions, quarantine arrangements or suspension of operating activities.

In strict compliance with the governmental guidance and requirements for disease control and prevention, the Group has taken prevention measures to ensure the health of its employees and operation safety. According to its Business Continuity Plan, the Group has expanded production capacity through nation wide cooperation to support research and development and normal delivery of production projects, with an effort to minimize the risks arising from the suspension of operation due to the outbreak of COVID-19. The Group will continue to pay close attention to the development of COVID-19 epidemic. As of the date of this announcement, the Group is still evaluating and dealing with the impact of COVID-19 epidemic on the operating activities and financial condition of the Group.

APPRECIATION

On behalf of the Board, I would like to thank all our colleagues for their diligence, dedication, loyalty and integrity. I would also like to thank all our shareholders, customers, bankers and other business associates for their trust and support.

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

Hong Kong, March 24, 2020

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

* *For identification purposes only*