WUXI APPTEC CO., LTD.*
無錫藥明康德新藥開發股份有限公司

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

(Stock Code: 2359)

ANNOUNCEMENT OF THE ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2020

FINANCIAL HIGHLIGHTS

	2020 ***RMB million (except for percentages)***	2019 *RMB million (except for percentages)*	Change
Revenue	**16,535.4**	12,872.2	28.5%
Gross Profit	**6,255.0**	5,006.1	24.9%
Gross Profit Margin	***37.8%***	*38.9%*	
Net Profit Attributable to the Owners of the Company	**2,960.2**	1,854.6	59.6%
Margin of Net Profit Attributable to the Owners of the Company	***17.9%***	*14.4%*	
Adjusted Non-IFRS Net Profit Attributable to the Owners of the Company	**3,565.3**	2,407.4	48.1%
Margin of Adjusted Non-IFRS Net Profit Attributable to the Owners of the Company	***21.6%***	*18.7%*	
	RMB	*RMB*	
Earnings per Share			
— Basic	**1.27**	0.81	56.8%
— Diluted	**1.25**	0.80	56.3%
Adjusted Non-IFRS Earnings per Share			
— Basic	**1.53**	1.05	45.7%
— Diluted	**1.51**	1.04	45.2%

FINAL DIVIDEND AND CONVERSION OF RESERVE TO SHARE CAPITAL

The Board proposes the profit distribution plan for the year ended December 31, 2020 as follows: (i) a cash dividend of RMB3.63 (inclusive of tax) for every 10 shares (representing an aggregate amount of RMB889,537,206.36 (inclusive of tax) based on the total issued share capital of the Company as of the date of this announcement), and (ii) 2 new Shares for every 10 existing Shares of the Company to be issued out of reserve to all Shareholders. In the event of change in the total issued share capital of the Company before the record date for profit distribution, dividends will be distributed according to the original dividend amount per share and the total distribution amount and the total number of new shares to be issued out of reserve to all Shareholders will be adjusted accordingly. The 2020 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 Reporting Period, the Group realized revenue of RMB16,535.4 million, representing a YoY growth of 28.5%. During the Reporting Period, we realized net profit attributable to the owners of the Company of RMB2,960.2 million, representing a YoY increase of 59.6%.

During the Reporting Period, we encountered the outbreak of COVID-19, which has affected our operations globally. Thanks to the combined efforts of all our employees and strong support from our global customers, we minimized the impact of the epidemic and maintained very strong growth of our revenue and adjusted non-IFRS net profit attributable to the owners of the Company. On the one hand, we implemented our business continuity plan very early on to ensure the health of our employees and operation safety. On the other hand, leveraging our global presence and comprehensive capabilities, we were able to ensure our project delivery timeline and capture new business opportunities.

During the Reporting Period, we added over 1,300 new customers, increasing our active customer count to more than 4,200. Our "long-tail" strategy and "Follow the Customer/Follow the Project/Follow the Molecule" business model continued to perform very well.

1. We continued to expand our customer base and retain existing customers. During the Reporting Period, our existing customers contributed RMB15,503.8 million revenue, representing a YoY growth of 32.1%. Our newly added customers contributed RMB1,031.6 million revenue.

2. We continued to execute our "long-tail" strategy and increased our support to large global pharmaceutical companies. During the Reporting Period, our global "long-tail" customers and China-based customers contributed RMB11,108.1 million revenue, representing a YoY growth of 28.3%. The top 20 global pharmaceutical companies contributed RMB5,427.3 million revenue, representing a YoY growth of 28.8%.

3. We continued to increase customer conversion and enhance synergies across our platform. During the Reporting Period, customers using services from more than one of our business units contributed RMB14,352.3 million revenue, representing a YoY growth of 27.6%.

We continued to enhance our capacity and capabilities across all segments and facilities globally. During the Reporting Period:

1. Our high-potency active pharmaceutical ingredient (API) manufacturing facility, large-scale oligonucleotide API manufacturing facility and large-scale peptide API manufacturing facility of STA Pharmaceutical Co., Ltd., a subsidiary of the Group, began operation, supporting the process R&D and manufacture of small molecules, as well as oligonucleotide and peptide APIs from preclinical to commercial. In January 2020, we started the construction of a new drug product development and production facility in STA Wuxi site. This facility will not only improve the development and production capacity of solid dosages, but also has the capability of sterile drug product development, clinical trial material production and commercial scale manufacturing.

2. We expanded our plasmid manufacturing facility in Wuxi city, the PRC, providing integrated services from bacteria banking, process development, research manufacturing and commercial manufacturing to our global customers. We also launched our fully integrated Closed Process CAR-T Cell Therapy Platform, AAV adherent manufacturing platform and AAV Vector Suspension Platform in both U.S. and China, enabling our customers to accelerate the timeline for cell and gene therapy development, manufacturing and release. During the Reporting Period, we established strategic collaboration with many industry leading cell and gene therapies biotech and pharmaceutical customers. We also reached a strategic agreement with a China customer to provide integrated services for the BLA of its cell therapy product.

3. In July 2020, our newly built Chengdu R&D center began operation and became an extension of our China-based laboratory services. During the Reporting Period, our Chengdu site provided services to 95 global customers.

4. Our subsidiary Guangdong Blooming-Spring Biological Technology Development Co., Ltd. earned AAALAC accreditation and received high tech enterprise certification of Guangdong Province.

Revenue

During the Reporting Period, the Company realized revenue of RMB16,535.4 million, representing an increase of 28.5% as compared with 2019. The increase was mainly due to the fact that the growth of our China-based laboratory services and CDMO services remained strong and substantial.

(1) China-based Laboratory Services

During the Reporting Period, our China-based laboratory services realized revenue of RMB8,545.8 million, representing a YoY growth of 32.0%. We have one of the largest and most experienced small molecule chemical drug R&D teams globally. On one hand, we assisted our global customers in pushing forward the R&D process for innovative pharmaceutical products; on the other hand, we continued to enable the small molecule new drug R&D industry in China with our market leading expertise. Since the second quarter of 2020, our China-based laboratories resumed full operation and benefitted from increased demand from overseas customers.

In relation to small molecule drug discovery services, we performed over 12,600 chemical reactions daily. During the Reporting Period, we assisted global customers in developing multiple pre-clinical candidate molecules and applied for patents with various academic papers published. We have one of the industry leading infectious disease drug discovery platform and we developed COVID-19 small molecule drug discovery platform very early and enabled 77 customers globally since March, 2020. We have built a DEL with approximately 90 billion compounds. During the Reporting Period, the Company further optimized resource allocation by integrating the DEL, protein production and protein structure-based drug discovery platform to build a competitive integrated target-to-hit platform for compound discovery. Our platform fully empowered customers of early-stage development of innovative small molecule drugs and served as an important "flow entrance" of the Company's downstream business units, continuous driving our medium and long-term business development. During the Reporting Period, the integrated target-to-hit compound discovery platform of the Company had over 500 global customers, representing a YoY growth of over 350%.

In relation to laboratory testing, our services include analytical chemistry, DMPK, ADME, toxicology and bioanalytical testing. In addition, we fully leverage the power of the platform and combine our technical experience, program management and regulatory expertise to facilitate submission of our customers' IND package. During the Reporting Period, we signed 100 integrated WIND (WuXi IND Program) packages which combined our technical experience, program management and regulatory expertise with our customers, helping many of our global and China customers submit their IND packages and obtain FDA clinical trial approval under eCTD format.

During the Reporting Period, we strengthened the sales team of our China-based cell and gene therapies CTDMO services, and the number of our customers and contracts grew rapidly. In relation to business operation, we increased the efficiency and utilization of our facilities, sustaining project delivery timelines during COVID-19. We optimized the process development of plasmid and lentivirus, which further reduced manufacturing cost. We continued to strengthen our process development and manufacturing capabilities. During the Reporting Period, we launched cell therapy product CTDMO platform and enabled multiple customers, including providing services to 2 projects in Phase II/III clinical trials. We also launched our AAV adherent and suspension manufacturing platform in China.

In addition, we provided integrated drug discovery and R&D services to Chinese customers which span from early stage drug discovery to completion of IND filings with NMPA. These projects have success-based agreements that provide us with a milestone and/or royalty fee. During the Reporting Period, we assisted Chinese customers in making 33 IND filings with NMPA for new-chemical entities and assisted our customers in obtaining 30 CTAs from NMPA. As at December 31, 2020, in total, we assisted Chinese customers in submitting 118 new-chemical entities IND filings and obtained 87 CTAs from NMPA, with 2 project in Phase III clinical trials, 9 projects in Phase II clinical trials, and 60 projects in Phase I clinical trials.

(2) CDMO Services

During the Reporting Period, our CDMO services realized revenue of RMB5,282.1 million, representing a YoY growth of 40.8%. We have one of the largest R&D process teams in China with strong R&D capabilities. It is China's first chemical process development and production platform that has passed the FDA's pre-approval inspection of innovative drugs. Meanwhile, we were approved by the drug regulatory authorities of the United States, China, the European Union, Japan, Canada, Switzerland, Australia and New Zealand, providing innovative drug APIs and GMP intermediates commercial supply for the above countries and regions.

We continued to execute our development strategy of "follow the molecule". 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 sustainable and rapid growth in revenue from our CDMO services. During the Reporting Period, we added 575 molecules into our small molecule CDMO pipeline, including 35 molecules in phase II and phase III clinical trials transferred from client's facilities or other CDMOs. As of December 31, 2020, our small molecule CDMO pipeline has grown to over 1,300 active projects, including 45 projects in Phase III clinical trials and 28 projects in the commercial manufacturing stage. In December, 2020, our customer InnoCare Pharma's Bruton's Tyrosine Kinase inhibitor orelabrutinib was approved. This is also our first integrated CMC CDMO project. Our subsidiary STA supports the end-to-end manufacturing of orelabrutinib, including API manufacturing, spray drying commercial manufacturing, tablet manufacturing and packaging.

During the Reporting Period, our CDMO services made considerable progress in a number of new capabilities and capacity. (1) We continued to improve our flow chemistry technology platform, and have applied flow chemistry technology to large-scale production in several late clinical stage and commercial projects. (2) We have further expanded the production capacity of high potency APIs, the newly built high potency lab and facility began operation in our Changzhou site, which is the second R&D and production site of high potency APIs after Jinshan, which will boost our annual production capacity of high potency APIs to hundred kilogram level. (3) We continue to enhance our oligonucleotide and peptide drug CDMO capabilities. In January 2020, our kilogram grade oligonucleotide commercial manufacturing facility in Changzhou, the PRC, began operation. With its operation, the Changzhou site can manufacture oligonucleotide APIs up to 1 mol/synthesis run, to better meet the increasing demand of our customers. (4) In June 2020, our large-scale peptide API manufacturing facility began operation in Changzhou, the PRC, with a total of 7 production lines, to meet the demands from preclinical stage to commercial supply. During the Reporting Period, we successfully completed the first process performance qualification (PPQ) project.

During the Reporting Period, we continued to invest in the expansion of our Changzhou facility and we also plan to build a new facility in Taixing, the PRC, supporting the growing commercial manufacturing demands of our global customers. In January 2020, we started the construction of a new drug product development and production facility in STA Wuxi site. This facility will not only improve the development and production capacity of solid dosages, but also has the capability of sterile drug product development, clinical trial material production and commercial scale manufacturing.

(3) U.S.-based Laboratory Service

During the Reporting Period, Our U.S.-based laboratory services realized revenue of RMB1,516.6 million, representing a YoY decrease of 3.0%. This segment comprises our cell and gene therapies CTDMO services and medical device testing services. In 2020, our U.S. based laboratory operations were negatively impacted by the COVID-19 resulting in a decline in business year over year. The main reasons are: (1) due to the impact of COVID-19, the operational efficiency of our laboratories and factories has experienced a temporary decline; (2) our customer base was impacted as on-site visits were cancelled or shifted to remote due to travel restrictions and government imposed lockdowns; (3) COVID-19 impact has extended the regulatory adoption timeline of Medical Device Reporting by one year impacting our medical device business; and (4) select projects were terminated due to customers' clinical trial failures impacting our cell and gene therapy CTDMO business.

During the Reporting Period, the revenue of our cell and gene therapies CTDMO services declined slightly. However, we continue to see strong demand for our services. During the Reporting Period, we continued to strengthen the capabilities of our cell and gene therapies CTDMO services. We launched a fully integrated AAV Vector Suspension Platform and a fully integrated Closed Process CAR-T Cell Therapy Platform, both of which will help our customers to accelerate the timeline for cell and gene therapy development, manufacturing and release. During the Reporting Period, our U.S.-based laboratory services provided CTDMO services for 36 clinical phase cell and gene therapy projects, including 24 in Phase I clinical trials and 12 in Phase II/III clinical trials.

During the Reporting Period, our medical device testing services realized stable revenue growth in spite of declined efficiency. Due to COVID-19, the timeline for adoption of the European Union Medical Device Regulation (REGULATION (EU) 2017/745) was delayed one year. Despite this delay in timing, the regulation change is still in effect which enhances the standards of certification of medical devices. We believe we are strongly positioned to capture this market opportunity over the next several years.

(4) Clinical research and other CRO Services

During the Reporting Period, our clinical research and other CRO services realized revenue of RMB1,168.9 million, representing a YoY growth of 10.0%. Our clinical research and other CRO services were dramatically impacted by COVID-19 and revenue growth slowed down. However, the demand for our services remain very strong. Our Clinical Development Services backlog increased 48% and SMO backlog increased by 41% on a YoY basis. Since the acquisition of Pharmapace, Inc., our biometrics business has maintained strong momentum and achieved rapid growth in both U.S. and China. During the Reporting Period, we continued to strengthen our global clinical research network. By the end of the Reporting Period, our clinical development services team had more than 800 employees in China and overseas. Our SMO team had more than 3,300 clinical research coordinators based across about 150 cities throughout China and provided SMO services in about 1,000 hospitals.

During the Reporting Period, our clinical development team provided services to more than 130 projects for our clients in China and U.S.. Among these, the highlight of our achievements included assisting the registration trials of 6 products in China, including a customer's first-in-class drug for the treatment of type II diabetes which obtained positive results in a pivotal trial, a global customer's new drug for the treatment of pulmonary arterial hypertension which obtained FDA approval, as well as other drugs for the treatment of tumor and chronic diseases, which successfully completed NDA/BLA submissions. One of these products was already approved by NMPA.

During the Reporting Period, our SMO team assisted in the market approval of 17 products for our customers, including a surgical implant for the treatment of glaucoma under real world evidence, the first bevacizumab biosimilar in China, the first China company's trastuzumab biosimilar launched in the European Union, vedolizumab for the treatment of ulcerative colitis, surufatinib for the treatment of non-pancreatic neuroendocrine tumors. Since the NMPA released its announcement on self-checking and inspection of clinical trial data of drugs on July 22, 2015, over 50 projects undertaken by our clinical research services were inspected, all of which passed inspections, fully demonstrating the high-quality standard of our SMO services. In particular, our SMO team responded very early on to minimize the COVID-19 and ensure the safety of our employees and sites by providing them with sufficient epidemic prevention supplies. None of our clinical research coordinators or patients enrolled was infected by COVID-19 and the dropout rate due to COVID-19 was less than 0.05%, which minimized the impact on the project quality and recovered the losses for our customers. During the most challenging period in China, we quickly organized employees to volunteer to participate in the clinical trial of anti-coronavirus drug in Wuhan.

Gross Profit

During the Reporting Period, the gross profit and gross profit margin of each business segment of the Company are as follows:

	2020		2019		
	Gross Profit	**Gross Profit Margin**	Gross Profit	Gross Profit Margin	Gross Profit Change
	RMB million		*RMB million*		
China-based laboratory services	**3,592.5**	**42.0%**	2,778.1	42.9%	29.3%
CDMO services	**2,156.8**	**40.8%**	1,495.8	39.9%	44.2%
US-based laboratory services	**328.7**	**21.7%**	474.8	30.4%	-30.8%
Clinical research and other CRO services	**165.4**	**14.2%**	254.4	23.9%	-35.0%
Gross profit of core business	**6,243.5**	**37.8%**	5,003.1	38.9%	24.8%
Gross profit of other business	**11.5**	**52.1%**	3.0	14.4%	278.0%
Comprehensive gross profit	**6,255.0**	**37.8%**	5,006.1	38.9%	24.9%

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

During the Reporting Period, the Company realized a comprehensive gross profit of RMB6,255.0 million, representing an increase of 24.9% as compared with the same period of 2019. The gross profit of core business was RMB6,243.5 million, representing an increase of 24.8% as compared with the same period of 2019. The gross profit of China-based laboratory services was RMB3,592.5 million, representing a YoY growth of 29.3%. The gross profit of CDMO services was RMB2,156.8 million, representing a YoY growth of 44.2%. The gross profit of U.S.-based laboratory services was RMB328.7 million, representing a YoY decrease of 30.8%. The gross profit of clinical research and other CRO services was RMB165.4 million, representing a YoY decrease of 35.0%. The gross profit margin of core business decreased by 1.1 percentage points as compared with the same period last year. The decrease was mainly due to the fact that: (1) the operating efficiency of our U.S.-based laboratory services declined as a result of the COVID-19 pandemic, with decreased revenue and gross profit margin due to government mandatory lockdown and travel restrictions; (2) clinical research and other CRO services were also extensively affected by the pandemic, with decreased gross profit margin due to delay in patient recruitment and project commencement.

(1) China-based Laboratory Services

During the Reporting Period, our China-based laboratory service realized gross profit of RMB3,592.5 million, representing a YoY growth of 29.3%. Gross profit margin decreased by 0.9 percentage points, mainly due to the fluctuation of foreign currency translation rate and the rising costs of raw materials of the Company.

(2) CDMO Services

During the Reporting Period, our CDMO services realized a gross profit of RMB2,156.8 million, representing a YoY growth of 44.2%. Gross profit margin increased steadily by 0.9 percentage points mainly due to improvement in production efficiency, the effect from cost scale and the stable development of core business of the Company.

(3) U.S.-based Laboratory Services

During the Reporting Period, our U.S.-based laboratory services realized a gross profit of RMB328.7 million, representing a YoY decrease of 30.8%, and a decrease of 8.7 percentage points in gross profit margin. The decrease was mainly due to greater negative impacts in revenue resulted from the aggravation of the COVID-19 epidemic in U.S., and our continuous investment in cell and gene therapies business. We continued to expand our capabilities and have completed the first phase of our new state-of-the-art testing facility in Philadelphia, Pennsylvania. This facility will provide additional capacity for our external testing business and fully support the provision of integrated tests under our CTDMO business.

(4) Clinical Research and Other CRO Services

During the Reporting Period, our clinical research and other CRO services realized a gross profit of RMB165.4 million, representing a YoY decrease of 35.0% and a decrease of 9.7 percentage points in gross profit margin. The gross profit of our SMO services was RMB112.9 million, representing a YoY decrease of 11.0% and a decrease of 7.1 percentage points in gross profit margin. The decrease was mainly due to the fact that the commencement of operation of the research centre and the enrollment of new patients in the clinical trials of the Company were affected by the pandemic, resulting in a delay in the progress of most of the projects. In addition, the Company increased investment in staffing of SMO services to consolidate its leading market position, with a YoY increase of 28.7% in the number of employees. However, with the effective control of the epidemic in China and the implementation of the "Consolidating the Success of 2020 (贏回2020)" strategy of the Company in the second half of the year, the SMO business smoothly resumed the development momentum before the pandemic in the second half of the year, allowing the Company to record higher profit throughout the year.

Other Income

Other income increased from RMB249.5 million for the year 2019 to RMB326.3 million for the year 2020, representing a YoY growth of 30.8%. The increase in other income was due primarily to: (1) increase in government grants and subsidies of RMB60.3 million; (2) increase in dividend income arising from financial assets at FVTPL of RMB12.4 million; and (3) increase in interest income of RMB4.2 million.

Other Gains and Losses

Other gains and losses experienced a turnaround from losses to gains, from losses of RMB188.8 million for the year 2019 to gains of RMB283.2 million for the year 2020. The increase in other gains and losses was due primarily to: (1) increase in fair value change on financial assets of approximately RMB1,265.3 million, which mainly resulted from fair value gain on JW (Cayman) Therapeutics Co., Ltd. ("**JW Cayman**"), Hua Medicine and Hygeia Healthcare Holdings Co., Limited ("**Hygeia**"); (2) unrealized gain of RMB351.5 million due to change of accounting method of JW Cayman from equity investment to financial asset at FVTPL; (3) increase in fair value of biological assets of RMB286.8 million; (4) increase in disposal gain of financial assets of RMB271.2 million; (5) increase in fair value loss of RMB1,251.2 million from the derivative component of the Convertible Bonds; and (6) increase in net foreign exchange loss of RMB431.8 million.

Selling and Marketing Expenses

Selling and marketing expenses increased from RMB438.5 million for the year 2019 to RMB588.5 million for the year 2020, representing a YoY growth of 34.2%. 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 RMB1,509.0 million for the year 2019 to RMB1,869.7 million for the year 2020, representing a YoY growth of 23.9%. The increase in administrative expenses was due primarily to: (1) increase in staff and employee incentive; (2) increase in equipment maintenance fee; and (3) increase in depreciation and amortisation expenses driven by increasing investment in fixed asset.

R&D Expenses

R&D expenses of the Company increased from RMB590.4 million for the year 2019 to RMB693.3 million for the year 2020, representing a YoY growth of 17.4%. The Group is committed to investing in new capabilities and technologies to better serve our customers. During the Reporting Period, the Group mainly invested in the DEL platform, protein production and drug discovery platform based on protein structure, increased the expenditure of the research of new mechanism and animal model, new process chemistry technologies, new product and new technology platform (oligonucleotides, peptides, enzyme catalyzed asymmetric synthesis, etc.) and gene therapy R&D platform.

Share of (Losses) Profits of Associates

Share of (losses) profits of associates decreased from gains of RMB18.6 million for the year 2019 to losses of RMB76.8 million for the year 2020. The turnaround from gains to losses in share of (losses) profits of associates was due primarily to: (1) decrease in equity pick-up gain of RMB88.5 million from WuXi Healthcare Ventures II, L.P.; (2) increase in equity pick-up loss of RMB23.6 million from VW Clinical Innovations Limited.

Share of Losses of Joint Ventures

Share of losses of joint ventures decreased from losses of RMB39.3 million for the year 2019 to losses of RMB13.9 million for the year 2020. The decrease in share of losses of joint ventures was due primarily to decrease in equity pick up loss of RMB19.0 million from WuXi MedImmune Biopharmaceutical Co. Limited.

Finance Costs

Finance costs increased from RMB128.0 million for the year 2019 to RMB196.0 million for the year 2020, representing a YoY growth of 53.1%. The increase in finance costs was primarily due to: (1) increase in effective interest expenses on Convertible Bonds; (2) increase in interest expense of bank borrowings for daily operations, capital investments and acquisition projects; and (3) increase in lease financing costs.

Income Tax Expenses

Income tax expenses decreased from RMB425.6 million for the year 2019 to RMB383.1 million for the year 2020, representing a YoY decrease of 10.0%. The decrease in income tax expenses was due primarily to: (1) decrease in assessable profit and increase in tax return of our U.S.-based laboratory services; (2) decrease in deferred income tax expense resulted from increase of share-based compensation expenses; partially offset by (3) increase in assessable profit at subsidiaries in PRC and Hong Kong.

Profit for the Year

Profit for the year increased from RMB1,911.4 million for the year 2019 to RMB2,986.3 million for the year 2020, representing a YoY increase of 56.2%. Net profit margin increased from 14.8% to 18.1% due primarily to: (1) strong revenue growth during the Reporting Period and (2) an increase in fair value gain from invested portfolio companies (mainly JW Cayman, Hua Medicine and Hygeia).

Cash Flows

	2020	2019
	RMB million	*RMB million*
Net cash from operating activities	**3,827.6**	2,529.3
Net cash used in investing activities	**(8,629.6)**	(4,588.0)
Net cash from financing activities	**9,888.0**	1,557.9

In 2020, net cash flows from operating activities of the Group amounted to RMB3,827.6 million, representing a YoY increase of 51.3% over 2019. The increase was due primarily to: (1) 2020 revenue increased 28.5% over 2019; and (2) effective cost control and timely collection of receivables.

In 2020, net cash flows used in investing activities of the Group amounted to RMB8,629.6 million, representing a YoY increase of 88.1% over 2019. The increase was due primarily to the purchase of wealth management products and the investment of venture capital during the year.

In 2020, net cash flows from financing activities of the Group amounted to RMB9,888.0 million, representing a YoY increase of 534.7% over 2019. The increase was due primarily to the proceeds of RMB13,030.3 million from the placement of H shares and non-public issuance of A shares in 2020, which was more than the proceeds of RMB2,387.7 million from the over-allotment and Convertible Bonds issuance in year 2019.

Indebtedness

As at December 31, 2020, total liabilities of the Group amounted to RMB13,572.7 million (December 31, 2019: RMB11,829.4 million), of which 33.6% was trade and other payables, 25.1% was Convertible Bonds, 11.6% was contract liabilities, 9.2% was lease liabilities and 9.1% was bank borrowings,

(1) Borrowings

As at December 31, 2020, the Group had aggregated borrowings of RMB1,230.0 million and the whole amount will be due within one year. Floating interest rate borrowings amounted to RMB925.0 million and fixed interest rate borrowings amounted to RMB305.0 million. USD borrowings amounted to RMB920.0 million (equivalent to USD141.0 million) and RMB borrowings amounted to RMB310.0 million.

Letters of credit issued by STA were pledged to secure the borrowings of RMB300.0 million for Changzhou SynTheAll Pharmaceutical Co., Ltd. (both are subsidiaries of the Group).

(2) Charges on Assets

Other than the letter of credit pledged to secure the borrowings mentioned in the section headed "Borrowings", as at December 31, 2020, the Group pledged bank deposits with an amount of RMB9.1 million, which increased by 130.7% from RMB4.0 million as at December 31, 2019. The balance mainly represented deposits placed in banks as collateral for letters of guarantee for the Group's raw material purchasing and domestic construction projects.

(3) Contingent Liabilities

As at December 31, 2020, 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, 2020, the gearing ratio, calculated as total liabilities over total assets, was 29.3%, as compared with 40.5% as at December 31, 2019. The lower ratio is due primarily to the fact that: (1) total assets increased due to the placement of H shares and non-public issuance of A shares totaling RMB13,030.3 million during the year; (2) balance of short-term and long-term borrowings decreased RMB1,342.2 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 and new shares to satisfy its operational and investment needs.

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

B. Non-IFRS Measure

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

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

Adjusted EBITDA

	Year Ended 31/12/2020 ***RMB Million***	Year Ended 31/12/2019 *RMB Million*
Profit before tax	**3,369.4**	2,337.0
Add:		
Interest expense	**196.0**	128.0
Depreciation and amortization	**1,136.0**	963.4
EBITDA	**4,701.4**	3,428.4
EBITDA margin	***28.4%***	*26.6%*
Add:		
Share-based compensation expenses	**713.8**	195.2
Issuance expenses of Convertible Bonds	**6.6**	5.9
Fair value loss from derivative component of Convertible Bonds	**1,349.4**	98.1
Foreign exchange related losses	**337.0**	140.4
Goodwill impairment	**44.4**	—
Realized and unrealized (gains) or losses from venture investments	**(1,716.9)**	107.4
Realized and unrealized share of losses from joint ventures	**13.9**	39.3
Adjusted EBITDA	**5,449.4**	4,014.5
Adjusted EBITDA margin	***33.0%***	*31.2%*

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

	Year Ended 31/12/2020 ***RMB Million***	Year Ended 31/12/2019 *RMB Million*
Profit attributable to the owners of the Company	**2,960.2**	1,854.6
Add:		
Share-based compensation expenses	**587.8**	161.2
Issuance expenses of Convertible Bonds	**4.9**	4.4
Fair value loss from derivative component of Convertible Bonds	**1,349.4**	98.1
Foreign exchange related losses	**286.0**	114.6
Amortization of acquired intangible assets from merge and acquisition	**35.6**	27.9
Goodwill impairment	**44.4**	—
Non-IFRS net profit attributable to the owners of the Company	**5,268.3**	2,260.8
Add:		
Realized and unrealized (gains) or losses from venture investments	**(1,716.9)**	107.4
Realized and unrealized share of losses from joint ventures	**13.9**	39.3
Adjusted non-IFRS net profit attributable to the owners of the Company (note)	**3,565.3**	2,407.4

Note: the sum of the data above is inconsistent with the total 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						
Property, plant and equipment	10,137.1	21.9	7,666.0	26.2	32.2	Primarily due to increasing investment for STA Wuxi site, STA Changzhou site and Philadelphia site in U.S. and increasing investment in equipment.
Interests in joint ventures	52.5	0.1	25.2	0.1	108.2	Primarily due to the additional capital injection in existing joint ventures.
Financial assets at fair value through profit or loss ("**FVTPL**")(non-current)	6,717.2	14.5	4,009.1	13.7	67.5	Primarily due to increased strategic investments in healthcare industry such as medical device business and drug research and development coupled with fair value gain on existing portfolios.
Other non-current assets	1,395.6	3.0	62.4	0.2	2,136.9	Primarily due to increased certificates of deposit.
Inventories	1,933.8	4.2	1,208.3	4.1	60.0	Primarily due to the expansion of CDMO business. The increasing production capability and backlog orders result in more inventories
Contract costs	250.3	0.5	180.2	0.6	38.9	Primarily due to the growth in business.
Amounts due from related parties (current and non-current)	57.3	0.1	13.5	0.0	324.0	Primarily due to the increasing services provided to related parties.

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
Contract assets	542.0	1.2	379.4	1.3	42.8	Primarily due to the growth in business.
Income tax recoverable	19.1	0.0	6.3	0.0	203.2	Primarily due to the tax refund in the U.S..
Financial assets at FVTPL (current)	4,617.7	10.0	1,701.6	5.8	171.4	Primarily due to the increasing investment in wealth management products.
Derivative financial instruments	562.8	1.2	36.8	0.1	1,431.3	Appreciation of RMB against USD during the Reporting Period led to the fair value change of the forward contract the Group has entered into.
Liabilities						
Trade and other payables	4,550.3	9.8	3,392.8	11.6	34.1	Primarily due to the increased purchasing in inventories.
Derivative financial instruments	0.9	0.0	86.4	0.3	–99.0	Appreciation of RMB against USD during the Reporting Period led to the fair value change of the forward contract the Group has entered into.
Contract liabilities	1,581.0	3.4	897.1	3.1	76.2	Primarily due to the increased advance payment received for new projects.
Borrowings (current and non-current)	1,230.0	2.7	2,572.3	8.8	-52.2	Primarily due to the repayment of long-term borrowings during the Reporting Period.
Income tax payables	340.4	0.7	261.4	0.9	30.2	Primarily due to the increase of assessable income at subsidiaries in PRC and Hong Kong.

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
Convertible bonds	3,401.1	7.3	2,172.9	7.4	56.5	Primarily due to increase in fair value of the convertible bonds resulting from the increase in price of the company's H Shares.
Financial liabilities at FVTPL (current and non-current)	16.5	0.0	44.2	0.2	–62.7	Primarily due to the repayment and decrease in fair value of the contingent consideration from acquisition of Pharmapace, Inc.

D. Analysis on Investments

Investment on wealth management product

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

As at December 31, 2020, the balance of current-financial assets at FVTPL amounted to RMB4,617.7 million, representing 10.0% of total assets. Products associated with 23.5% of the investment balance have a maturity date within 30 days. At the end of the Reporting Period, the Group invested in wealth management products mainly in the following two categories:

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

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

In RMB million

Maturity days	**Structured deposits**	**Financial products**	**Total**
0 day-30 days	1,065.8	20.7	**1,086.5**
30 days-90 days	2,087.4	—	**2,087.4**
90 days-180 days	1,443.8	—	**1,443.8**
Total	**4,597.0**	**20.7**	**4,617.7**

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 continues to make additional investment in existing joint ventures and associates amounted to a total of RMB115.4 million mainly in PICA Health Technologies Limited and Clarity Medical Group Holding Limited, so as to strengthen the Company's synergy and promote the development of core business, obtain customers and enhance service ability.

During the Reporting Period, investment in other equities aside from joint ventures and associates amounted to a total of RMB2,202.6 million. Our investments of financial assets at FVTPL mainly include three categories, the movements of which during the Reporting Period are listed below:

In RMB million

	Listed companies	**Fund investments**	**Non-listed companies**	**Total**
Opening Balance	1,156.9	289.0	2,563.1	4,009.1
Addition	16.5	47.9	2,138.2	2,202.6
Transfer from non-listed companies/ (transfer to listed companies)	188.4	—	(188.4)	—
Gain resulting from transfer of an investment in associates to financial assets at FVTPL	351.5	—	—	351.5
Fair value change during the Reporting Period	798.6	73.8	232.0	1,104.4
Disposals of shares	(561.9)	(4.4)	(11.1)	(577.4)
Dividend	—	(4.5)	—	(4.5)
Foreign exchange effect	(114.2)	(10.4)	(243.9)	(368.5)
Ending Balance	**1,835.8**	**391.4**	**4,489.9**	**6,717.2**

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

We primarily invest using our own funds through our venture capital arm, WuXi PharmaTech Healthcare Fund I L.P. plays a significant role in contributing to the ecosystem. The followings are some of our largest investments across several different areas in the healthcare industry as at December 31, 2020.

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

JW Cayman is a leading technology platform, focusing on the research, development, transformation and application of cellular immunotherapy in the industry, so as to lead the comprehensive development of cellular immunotherapy. During the Reporting Period, JW Cayman was listed on the main board of the Hong Kong Stock Exchange. As of December 31, 2020, the Group held about 9.9% equity interests in JW Cayman, with a fair value of RMB763.1 million (representing 1.7% of our total assets).

The main product of JW Cayman is relmacabtagene autoleuce L ("**relma cel**"), which is an anti-CD19 CAR-T therapy for relapsed or refractory ("**r/r**") B-cell lymphoma. The NMPA has accepted and reviewed the application of relma cel for the third line therapy of DLBCL by JW Cayman in June 2020. Relma cel is expected to become the first class of CAR-T therapy approved for biological products in China, and is expected to become the best CAR-T therapy in the same category.

Lyell Immunopharma, Inc. ("Lyell")

Lyell is a pre-revenue biopharmaceutical company addressing unsolved problems of creating reliable, curative adoptive cell therapy for solid tumors. As of December 31, 2020, our Group held approximately 3.2% equity interests in Lyell with fair value amounting to RMB613.3 million (representing 1.3% of our total assets).

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

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

(2) Modulating T cells to maintain their functionality within the solid tumor microenvironment; and

(3) Controlling the specificity and safety of solid tumor-directed T cells armed with TCR, CAR or other targeting modalities using state-of-the-art protein engineering.

Genesis Medtech Group Limited ("Genesis")

Genesis provides high-quality research, production and sales services on medical device. As of December 31, 2020, our Group held 13.9% equity interests in Genesis with fair value amounting to RMB467.9 million (representing 1.0% of our total assets).

Genesis aspires to become China's largest med-tech company, an integrated platform with comprehensive product portfolio and extensive sales network with a business focus in the high-value medical device area. As of December 31, 2020, Genesis has more than 1,500 employees and covered 3,000 county hospitals.

Hygeia Healthcare Holdings Co., Limited ("Hygeia", HKEX: 06078)

Hygeia is committed to providing one-stop comprehensive diagnosis and treatment services for cancer patients in non first-tier cities, adhering to the development of cancer as the core business, and carrying out multidisciplinary medical services around the core business of cancer. As of December 31, 2020, our Group held about 1.8% of its equity, with a fair value of RMB467.0 million (representing 1.0% of our total assets).

According to Frost & Sullivan's research, Hygeia is China's largest cancer medical group based on the revenue generated from radiotherapy related services in 2019 and the number of radiotherapy equipment installed by its hospitals and partners' radiotherapy centers as of December 31, 2019. During the Reporting Period, Hygeia was listed on the main board of the Hong Kong Stock Exchange.

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, 2020, our Group held approximately 3.9% equity interests in iKang with fair value amounting to RMB435.3 million (representing 0.9% of our total assets).

iKang was formerly listed on the Nation Association of Securities Dealers Automated Quotations ("**NASDAQ**") Stock Exchange and subsequently privatized in January 2019. As of December 31, 2020, iKang operated 157 medical examination centers in 57 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.

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 stage, we provide services from "follow the project" to "follow the molecule", and win more business opportunities in the late development and commercialization stage.

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

(2) Enabling innovation to strengthen our competitive advantage

Our principle of "enabling innovation" plays a significant part in the way we design, offer and deliver our services, enabling us to deploy our latest know-how and capabilities whenever possible to fulfill our customers' demands and 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. In the past few years, with the continuous emergence of new technologies, new mechanisms of action and new therapeutic modalities, the global and China healthcare industry has developed rapidly. Looking forward, we will continue to invest in new capabilities and capacities, such as PROTAC, oligonucleotide, peptide, ADC, bi-specific antibody, cell and gene therapies, to capture new business opportunities and help our global partners bring ground-breaking medicines and treatments to patients in need.

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

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

We have accumulated extensive industry experience after 20 years of rapid growth. We have provided services to and established trusted partnerships with leading 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 high-potency active pharmaceutical ingredient (API) manufacturing facility, the large-scale oligonucleotide API manufacturing facility and large-scale peptide API manufacturing facility of STA Pharmaceutical Co., Ltd., a subsidiary of the Company, began operation, supporting the process R&D and manufacture of small molecules, as well as oligonucleotide and peptide APIs from preclinical stage to commercialization. In January 2020, we started the construction of a new drug product development and production facility in STA Wuxi site. This facility will not only improve the development and production capacity of solid dosages, but also has the capability of sterile drug product development, clinical trial material production and commercial scale manufacturing. We expanded our plasmid manufacturing facility in Wuxi city, the PRC, providing integrated services from bacteria banking, process development, research manufacturing and commercial manufacturing to our global customers. We also launched our fully integrated Closed Process CAR-T Cell Therapy Platform, AAV adherent manufacturing platform and AAV Vector Suspension Platform in both U.S. and China, enabling our customers to accelerate the timeline for cell and gene therapy development, manufacturing and release. In July 2020, our newly built Chengdu R&D center began operation and became an extension of our China-based laboratory services.

In terms of M&A, we have made a number of high-quality transactions such as AppTec, Crelux, HD Biosciences Inc., WuXi Clinical Development, Pharmapace Inc. and Nanjing Milestone Pharma Co., Ltd., etc. successively and integrated their businesses with our existing business to further optimize our industry chain of new drug R&D and production services while enhancing synergies among upstream and downstream business segments. In September 2020, the Company acquired Nanjing Milestone Pharma Co., Ltd. to further integrate and expand the scale of its drug quality analysis service, providing diverse customer bases with comprehensive drug quality analysis and testing services including registration and production.

(4) Having a strong, loyal and expanding customer base and continuing to grow our network within the healthcare ecosystem

We have a strong, loyal and expanding customer base. During the Reporting Period, we added over 1,300 new customers and provided services to more than 4,200 active customers in over 30 countries, including all of the top 20 global pharmaceutical companies. During the Reporting Period, the top 20 global pharmaceutical companies contributed to 32.8% of our revenue. We also enjoyed 100% retention for our top 10 customers from 2015 to December 31, 2020. During the Reporting Period, 93.8% of our revenue came from repeat customers and 6.2% 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.

During the Reporting Period, we minimized the impact of COVID-19 and were committed to working alongside our customers and partners in the global healthcare community to keep the R&D and manufacturing engine humming. We maintained and continue to be in close communication with our global customers through video conferencing and enabled them to work at home while they collaborate with us to advance their R&D programs. During the Reporting Period, we organized 11 online forums, including WuXi Global Forum, an online forum on COVID-19 and an online forum on rare diseases, etc. A total of 131 industry leading speakers were invited to share their views of industry innovation, review past experience and challenges, and forecast future opportunities and breakthroughs with audiences around the world. Over 16,600 people have registered for our online forums. In addition, we also launched "WuXi On Air", a live online webinar, sharing our expertise and experience with industry participants. We completed 63 webinars, involving 14 series across 7 business units. WuXi On Air covered more than 20 overseas countries and regions and 33 provincial administrative regions of China, with a total number of over 180,000 viewers.

(5) Experienced management team with vision and ambition

We are led by Dr. Ge Li, one of the pioneers in the pharmaceutical outsourcing industry. All members of our senior management team have worked at the forefront of the pharmaceutical industry, with significant industry experience in their areas of expertise. Our management team is reputable in the area of life science both in the 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) Completion of Placing of New H Shares and Non-public Issuance of A Shares

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

The completion of the placing of new H Shares took place on August 5, 2020. An aggregate of 68,205,400 new H Shares have been successfully placed to no less than six independent placees at the placing price of HK$108.00 per new H Share pursuant to the terms and conditions of the placing agreement.

The completion of the proposed non-public issuance of A Shares took place on September 23, 2020. An aggregate of 62,690,290 A Shares have been issued to 17 subscribers at the issue price of RMB104.13 per A Share.

Please refer to the announcements of the Company dated March 24, 2020, May 15, 2020, August 5, 2020 and September 24, 2020 and the circular of the Company dated March 31, 2020 for further details.

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

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

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

2018 A Share Incentive Plan

The "Proposal on the Repurchase and Cancellation of Part of the Restricted A Shares Granted under the Restricted A Shares and Stock Option Incentive Plan of 2018 of the Company" was approved at the second meeting of the second session of the Board. Pursuant to the such proposal, due to (i) the departure of 57 incentive participants under the 2018 A Share Incentive Plan before the expiry of the lock-up period for the initial grant and/or the reserved grant under the 2018 A Share Incentive Plan; (ii) a total of 18 incentive participants under the 2018 A Share Incentive Plan being unable to satisfy the performance appraisal target at the individual level for 2018 and 2019; and (iii) the implementation of the 2019 Profit Distribution Plan, on June 10, 2020, the Board considered and approved the repurchase and cancellation of a total of 367,960 Restricted A Shares granted under the initial grant of the 2018 A Share Incentive Plan at the repurchase price of RMB22.75 per A share and a total of 172,625 Restricted A Shares granted under the reserved grant under the 2018 A Share Incentive Plan at the repurchase price of RMB22.95 per A Share after relevant adjustments to the repurchase price. The completion of the repurchase and cancellation of such Restricted A Shares took place on August 19, 2020. Please refer to the relevant announcements of the Company dated June 10, 2020, August 16, 2020 and August 19, 2020 for further details.

Due to the departure of 23 incentive participants of the 2018 A Share Incentive Plan before the expiry of the lock-up period for the initial grant under the 2018 A Share Incentive Plan, on October 19, 2020, the Board considered and approved the repurchase and cancellation of a total of 69,778 Restricted A Shares granted under the initial grant under the 2018 A Share Incentive Plan at the repurchase price of RMB22.75 per A share. The completion of the repurchase and cancellation of such Restricted A Shares took place on December 17, 2020. Please refer to the relevant announcements of the Company dated October 19, 2020, December 14, 2020 and December 17, 2020 for further details.

2019 A Share Incentive Plan

The "Proposal on the Repurchase and Cancellation of Part of the Restricted A Shares Granted under the Initial Grant and the Cancellation of Part of the Share Options Granted under the Initial Grant of the Restricted A Shares and Stock Option Incentive Plan of 2019 of the Company" was approved at the second meeting of the second session of the Board. Pursuant to such proposal, due to (i) the departure of 32 Incentive Participants before the expiry of the lock-up period under the 2019 A Share Incentive Plan and 22 Incentive Participants before the expiry of the vesting period under the 2019 A Share Incentive Plan; (ii) 20 Incentive Participants being unable to satisfy the performance appraisal target of 2019; and (iii) the implementation of the 2019 Profit Distribution Plan, on June 10, 2020, the Board considered and approved the repurchase and cancellation of a total of 357,379 Restricted A Shares granted under the 2019 Initial Grant at the repurchase price of RMB22.95 per A Share and the cancellation of an aggregate of 474,255 units of Share Options granted under the 2019 Initial Grant. The completion of the repurchase and cancellation of such Restricted A Shares took place on August 19, 2020. Please refer to the relevant announcements of the Company dated June 10, 2020, August 16, 2020 and August 19, 2020 for further details.

Due to the departure of 33 Incentive Participants before the expiry of the lock-up period under the 2019 A Share Incentive Plan, on October 19, 2020, the Board considered and approved the repurchase of a total of 266,230 Restricted A Shares granted under the 2019 Initial Grant at the repurchase price of RMB22.95 per A Share, (ii) the cancellation of an aggregate of 249,900 units of Share Options granted under the 2019 Initial Grant and (iii) the cancellation of an aggregate of 29,131 units of Share Options granted under the 2019 Reserved Grant. The completion of the repurchase and cancellation of such Restricted A Shares took place on December 17, 2020. Please refer to the relevant announcements of the Company dated October 19, 2020, December 14, 2020 and December 17, 2020 for further details.

(4) Exercise of share options granted under the reserved grant of the 2018 A Share Incentive Plan

Following the fulfillment of the exercise conditions for the first exercisable period of the share options granted on July 19, 2019 under the reserved grant of the 2018 A Share Incentive Plan, one of the Incentive Participants, being a member of the Company's senior management, has exercised 62,720 units of the share options granted to him under the reserved grant of the 2018 A Share Incentive Plan at the exercise price of RMB46.34 per unit. The underlying shares of the exercised share options are ordinary A Shares to be issued by the Company to the Incentive Participant. On September 17, 2020, the Company has completed the registration of such new A shares with the Shanghai Branch of the China Securities Depository and Clearing Corporation Limited. Trading in the aforementioned new A Shares commenced on September 23, 2020. Please refer to the relevant announcements of the Company dated July 21, 2020 and September 17, 2020 for further details.

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

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

(6) Adoption of and the grant of Awards under the H Share Award and Trust Scheme

The H Share Award and Trust Scheme was approved at the extraordinary general meeting of the Company held on August 31, 2020. The source of the Award Shares under the Scheme shall be H Shares to be acquired by the Trustee through on-market transactions at the prevailing market price with funds in the amount of not more than HK$700 million, in accordance with the instructions of the Company and the relevant provisions of the Scheme Rules.

As of December 16, 2020, Awards in an aggregate value of HK$619,587,950.00 have been granted to 2,444 Selected Participants (including the Connected Selected Participants), and the number of Award Shares underlying the relevant Awards represents 5,498,666 H Shares, accounting for approximately 1.7420% of the total number of issued H Shares and approximately 0.2244% of the total issued share capital of the Company as at the date of this announcement. The number of Award Shares underlying the Awards granted to the Connected Selected Participants represents 372,152 H Shares, accounting for approximately 0.1179% of the total number of issued H Shares and approximately 0.0152% of the total issued share capital of the Company as at the date of this announcement.

Please refer to the relevant announcements of the Company dated July 21, 2020 and December 16, 2020 and the circular of the Company dated August 12, 2020 for further details.

(7) Adjustments to the conversion price of USD300 million zero coupon convertible bonds due 2024

Pursuant to the terms and conditions of the Bonds, the price at which H Shares will be issued upon conversion is subject to adjustment for, among other things, capital distributions and capitalization of profits or reserves made by the Company. Therefore, the conversion price of the Bonds has been adjusted from HK$111.80 per H Share, being the initial conversion price to HK$79.85 per H Share as a result of the Profit Distribution and the Capitalization of Reserve by the Shareholders at the 2019 annual general meeting of the Company with effect from June 4, 2020, being the day immediately after the record date for determining the entitlement of holders of H Shares to the Capitalization of Reserve and the Profit Distribution. Save as disclosed above, all other terms of the Bonds remain unchanged.

Please refer to the relevant announcement of the Company dated June 3, 2020 for further details.

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

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

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

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

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

A. Competition and Development Trends of the Industry

The Company operates in the drug R&D service industry. 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. Our industry is closely related to the R&D investments of the pharmaceutical industry.

First of all, with the growth of global economy, population, aging population , as well as the progress of science and technology and the rising awareness of health, the global pharmaceutical market is expected to maintain a sustained growth. According to Frost & Sullivan, the global pharmaceutical market has grown from USD1,153.6 billion in 2016 to USD1,384.1 billion in 2020, with a compound annual growth rate of about 4.7%, and is expected to grow to USD1,639.5 billion by 2024, with a compound annual growth rate of about 4.3% from 2020 to 2024.

Secondly, with the growth of the pharmaceutical market, the global pharmaceutical R&D investments is expected to maintain a stable growth in the foreseeable future, and the proportion of outsourcing will further increase. According to Frost & Sullivan, the R&D investments of global pharmaceutical industry have increased from USD156.7 billion in 2016 to USD190.8 billion in 2020, with a compound annual growth rate of about 5.0%, and are expected to increase to USD227 billion by 2024, with a compound annual growth rate of about 4.4% from 2020 to 2024. Meanwhile, with more large pharmaceutical companies seeking external cooperation to improve R&D efficiency and reduce costs, and more and more small and medium-sized biotechnology companies, virtual companies and individual entrepreneurs becoming the new major driving force of pharmaceutical innovation, the proportion of global R&D investments outsourcing will further increase. According to Frost & Sullivan, the proportion of global pharmaceutical R&D outsourcing investments has increased from 36.3% in 2016 to 40.7% in 2020, and is expected to increase to 50.6% by 2024.

Thirdly, China's pharmaceutical industry is shifting from generics drugs to innovative drugs, and R&D investments are expected to maintain rapid growth. Driven by the reform of the evaluation and approval systems on drugs & medical devices, the launch of the MAH in China, evaluation of generic drugs and centralized procurement, inclusion of innovative drugs into the National Reimbursement Drug List, the demand for innovative drug R&D services will continue to grow. According to Frost & Sullivan, the R&D investments in China's pharmaceutical industry have increased from USD11.9 billion in 2016 to USD25.3 billion in 2020, with a compound annual growth rate of about 20.8%, and are expected to increase to USD47.6 billion by 2024, with a compound annual growth rate of about 17.1% from 2020 to 2024. China's pharmaceutical R&D service industry, especially the platform companies with global leading innovative drug R&D and manufacturing service capabilities, are expected to benefit from the rapid growth of China's new drug R&D investments. According to Frost & Sullivan, the proportion of China pharmaceutical R&D outsourcing investments has increased from 29.8% in 2016 to 36.8% in 2020, and is expected to increase to 47.6% by 2024.

B. Development Strategies

We are committed to realizing 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 2021, we will continue to invest in new capabilities and capacities, explore cutting-edge technologies and enhance our integrated platform, to realize our vision that "every drug can be made and every disease can be treated".

(1) Platform Building

On the one hand, we will continue to enhance our capabilities and capacities globally. We will continue to build a new site in Nantong, Jiangsu Province for drug safety testing (toxicology) and laboratory testing services, expand discovery chemistry and new modality services capacity in Wuhan, build a new site in Changshu, the PRC for scale-up and non-GMP manufacturing capacity for small molecule drug discovery and development, build out a global cell and gene therapies process development center and testing center in the Lin Gang district of Shanghai, the PRC, expand API manufacturing capacity in Changzhou, the PRC, build a new API/Intermediates manufacturing site in Taixing, the PRC, expand drug product manufacturing capacity in Wuxi, the PRC, select sites in the U.S. for building commercial API and drug product manufacturing facilities, and build out additional cell and gene therapies testing capacity in Philadelphia in the U.S. Should there be any appropriate opportunities in the future, we will also enhance CRO and CDMO 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 at the CRO and CDMO stage, while continuously expanding our services offering by evolving from "following the project" to "following the molecule".

(2) Customer Strategy

We are committed to further improving customer's 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 and overseas markets, in particular, "long-tail" customers. We will attract more participants to join the new drug R&D industry and enable more customers to succeed through ongoing reduction of entry barrier of drug R&D industry.

(3) 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 2021, we will continue to refine and implement our standard operating procedures to prevent incurrence of accident and facilitate sound growth of all segments.

(4) 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. Looking forward, we will continue to invest in new capabilities and capacities, such as PROTAC, oligonucleotide, peptide, ADC, bi-specific antibody, cell and gene therapies, to capture new business opportunities and help our global partners bring ground-breaking medicines and treatments to patients in need.

In addition, we will explore cutting-edge technologies such as AI, medical big data and laboratory automation, 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.

(5) 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.

(6) 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 in adverse impact on our business operation.

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

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

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

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

(4) Business compliance risk

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

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

We have set up or acquired a number of foreign companies to fuel our overseas business expansion and accumulated abundant experience of overseas operation over the years. During the Reporting Period, our revenue from overseas operation accounted for significant percentage of our main business revenue. Given that we are required to abide by laws and regulations of any nation or region where we carry out business operation and set up our offices and rely on foreign suppliers of raw materials, customers and technical service providers to ensure our orderly daily operation to a certain degree, our overseas operation might be impacted and

potential adverse impact might be resulted on our normal operation and ongoing growth of our overseas business in case any of the following circumstances occurs, including material change of laws, regulations, industrial policies or political and economic environment of any foreign nation or region where we carry out business operation, or any unforeseeable factors such as international tension, war, trade sanction, or other force majeure.

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

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

(7) Risk of failure in business expansion

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

(8) Foreign exchange risk

We conduct a multinational business. Fluctuations in exchange rates between the RMB and USD and other currencies may be affected by, among other things, changes in political and economic conditions. During the Reporting Period, most of the revenue of the main business was denominated in USD while a majority of our cost of services and operating costs and expenses were denominated in RMB. During the Reporting Period, RMB exchange rate demonstrated significant volatility and the Company's foreign exchange gain/(loss) in 2020 and 2019 were RMB411.1 million in loss and RMB20.7 million in gain, 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. In addition, the USD asset we hold and USD deposit swap from the proceeds received from the placing of new H shares might cause foreign currency translation loss, which may adversely impact our profitability as a result.

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

Value of our assets or liabilities measured at FVTPL, such as investments in listed companies and other non-listed portfolios, derivative component of Convertible Bonds, foreign currency forward contract and biological assets, are determined at the fair value at the end of each Reporting Period, with the changes in fair value recognized in current profit and loss. Among which the value of our investments in listed companies and other non-listed portfolios is recorded as other non-current financial assets measured at FVTPL, the value of which could be greatly affected by market fluctuations. At the end of the Reporting Period, the balance of our investments in listed companies and other non-current financial assets measured at FVTPL was RMB6,717.2 million. In 2020 and 2019, fair value change of our investments in listed companies and other non-current financial assets measured at FVTPL was RMB1,104.4 million in gains and RMB180.2 million in losses, respectively, with a variance of RMB1,284.6 million. The Company pays close attention to the investee listed companies with a view to making timely and ongoing investment decisions with these investee companies. As we mark-to-market the fair value of certain of our investments on a periodic basis, we expect the fair value of our financial assets at FVTPL, especially our investments in publicly-traded companies, may be negatively affected by capital market fluctuations which will further bring significant negative effect to our net profit.

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

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

HUMAN RESOURCES

As at December 31, 2020, the Group had 26,411 employees. The Group enters into employment contracts with its employees to cover matters such as position, term of employment, wage, employee benefits and liabilities for breaches and grounds for termination.

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

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

Due to (i) the departure of 57 incentive participants under the 2018 A Share Incentive Plan before the expiry of the lock-up period for the initial grant and/or the reserved grant under the 2018 A Share Incentive Plan; (ii) a total of 18 incentive participants under the 2018 A Share Incentive Plan being unable to satisfy the performance appraisal target at the individual level for 2018 and 2019; and (iii) the implementation of the 2019 Profit Distribution Plan, on June 10, 2020, the Board considered and approved the repurchase and cancellation of a total of 367,960 Restricted A Shares granted under the initial grant of the

2018 A Share Incentive Plan at the repurchase price of RMB22.75 per A share and a total of 172,625 Restricted A Shares granted under the reserved grant under the 2018 A Share Incentive Plan at the repurchase price of RMB22.95 per A Share after relevant adjustments to the repurchase price. The completion of the repurchase and cancellation of such Restricted A Shares took place on August 19, 2020. Please refer to the relevant announcements of the Company dated June 10, 2020, August 16, 2020 and August 19, 2020 for further details.

Due to the departure of 23 incentive participants of the 2018 A Share Incentive Plan before the expiry of the lock-up period for the initial grant under the 2018 A Share Incentive Plan, on October 19, 2020, the Board considered and approved the repurchase and cancellation of a total of 69,778 Restricted A Shares granted under the initial grant under the 2018 A Share Incentive Plan at the repurchase price of RMB22.75 per A share. The completion of the repurchase and cancellation of such Restricted A Shares took place on December 17, 2020. Please refer to the relevant announcements of the Company dated October 19, 2020, December 14, 2020 and December 17, 2020 for further details.

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

Due to (i) the departure of 32 Incentive Participants before the expiry of the lock-up period under the 2019 A Share Incentive Plan and 22 Incentive Participants before the expiry of the vesting period under the 2019 A Share Incentive Plan; (ii) 20 Incentive Participants being unable to satisfy the performance appraisal target of 2019; and (iii) the implementation of the 2019 Profit Distribution Plan, on June 10, 2020, the Board considered and approved the repurchase and cancellation of a total of 357,379 Restricted A Shares granted under the 2019 Initial Grant at the repurchase price of RMB22.95 per A Share. The completion of the repurchase and cancellation of such Restricted A Shares took place on August 19, 2020. Please refer to the relevant announcements of the Company dated June 10, 2020, August 16, 2020 and August 19, 2020 for further details.

Due to the departure of 33 Incentive Participants before the expiry of the lock-up period under the 2019 A Share Incentive Plan, on October 19, 2020, the Board considered and approved the repurchase of a total of 266,230 Restricted A Shares granted under the 2019 Initial Grant at the repurchase price of RMB22.95 per A Share. The completion of the repurchase and cancellation of such Restricted A Shares took place on December 17, 2020. Please refer to the relevant announcements of the Company dated October 19, 2020, December 14, 2020 and December 17, 2020 for further details.

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

FINAL DIVIDEND AND CONVERSION OF RESERVE TO SHARE CAPITAL

The Board proposes a profit distribution plan for the year ended December 31, 2020 as follows: (i) a cash dividend of RMB3.63 (inclusive of tax) for every 10 shares (representing an aggregate amount of RMB889,537,206.36 (inclusive of tax) based on the total issued share capital of the Company as of the date of this announcement), and (ii) 2 new Shares for every 10 existing Shares of the Company to be issued out of reserve to all Shareholders. In the event of change in the total issued share capital of the Company before the record date for profit distribution, dividends will be distributed according to the original dividend amount per share and the total distribution amount and the total number of new shares to be issued out of reserve to all Shareholders will be adjusted accordingly. The 2020 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). Subject to the approval of the Shareholders at the AGM and the Class Meetings, the 2020 Profit Distribution Plan is expected to be paid to the eligible Shareholders by no later than June 30, 2021.

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 despatched 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 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 CG Code as its own code of corporate governance practices.

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

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

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

DIRECTORS' SECURITIES TRANSACTIONS

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

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

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

REVIEW OF FINANCIAL STATEMENTS

Audit Committee

The Audit Committee of the Company comprises three independent non-executive Directors, namely Dr. Hetong Lou, Mr. Xiaotong Zhang and 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 of the Group for the year ended December 31, 2020, including accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters.

Scope of work of Messrs. Deloitte Touche Tohmatsu

The 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, 2020 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, 2020 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, 2020 with the comparative figures in the corresponding period in 2019 are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended December 31, 2020

	Notes	**2020** ***RMB'000***	2019 *RMB'000*
Revenue	*5*	**16,535,431**	12,872,206
Cost of services		**(10,280,387)**	(7,866,058)
Gross profit		**6,255,044**	5,006,148
Other income	*6*	**326,339**	249,497
Other gains and losses	*7*	**283,177**	(188,847)
Impairment losses under expected credit losses ("**ECL**") model, net of reversal		**(12,627)**	(43,165)
Impairment losses of goodwill, net of reversal		**(44,346)**	—
Selling and marketing expenses		**(588,459)**	(438,540)
Administrative expenses		**(1,869,707)**	(1,509,000)
Research and development expenses		**(693,260)**	(590,389)
Operating profit		**3,656,161**	2,485,704
Share of (losses)/profits of associates		**(76,833)**	18,589
Share of losses of joint ventures		**(13,919)**	(39,306)
Finance costs	*8*	**(196,033)**	(128,019)
Profit before tax		**3,369,376**	2,336,968
Income tax expense	*9*	**(383,126)**	(425,559)
Profit for the year	*10*	**2,986,250**	1,911,409
Profit for the year attributable to:			
Owners of the Company		**2,960,235**	1,854,551
Non-controlling interests		**26,015**	56,858
		2,986,250	1,911,409
Earnings per Share (expressed in RMB per Share)			
— Basic	*12*	**1.27**	0.81
— Diluted	*12*	**1.25**	0.80

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2020

	Note	**2020** ***RMB'000***	2019 *RMB'000*
Profit for the year		**2,986,250**	1,911,409
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		**(423,676)**	50,776
Fair value gain on hedging instrument designated in cash flow hedges		**511,326**	58,048
Other comprehensive income for the year, net of income tax		**87,650**	108,824
Total comprehensive income for the year		**3,073,900**	2,020,233
Attributable to:			
Owners of the Company		**3,040,933**	1,954,504
Non-controlling interests		**32,967**	65,729
		3,073,900	2,020,233

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2020

	Notes	**2020** ***RMB'000***	2019 *RMB'000*
Assets			
Non-current Assets			
Property, plant and equipment		**10,137,062**	7,665,990
Right-of-use assets		**1,519,864**	1,564,438
Goodwill		**1,391,759**	1,362,176
Other intangible assets		**585,319**	495,874
Interests in associates		**712,337**	768,292
Interests in joint ventures		**52,496**	25,215
Financial assets at fair value through profit or loss ("**FVTPL**")	*13*	**6,717,207**	4,009,081
Deferred tax assets		**300,901**	262,215
Other non-current assets		**1,395,594**	62,391
Biological assets		**418,869**	360,254
Amounts due from related parties		**419**	174
Total Non-current Assets		**23,231,827**	16,576,100
Current Assets			
Inventories		**1,933,826**	1,208,320
Trade and other receivables	*14*	**4,337,866**	3,555,889
Contract assets	*14*	**541,953**	379,396
Contract costs		**250,345**	180,201
Biological assets		**501,688**	353,964
Income tax recoverable		**19,057**	6,286
Financial assets at FVTPL	*13*	**4,617,725**	1,701,638
Amounts due from related parties		**56,885**	13,342
Derivative financial instruments	*19*	**562,824**	36,755
Pledged bank deposits	*15*	**9,113**	3,950
Bank balances and cash	*15*	**10,228,057**	5,223,293
Total Current Assets		**23,059,339**	12,663,034
Total Assets		**46,291,166**	29,239,134

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2020

	Notes	**2020** ***RMB'000***	2019 *RMB'000*
Capital and Reserves			
Share capital	*20*	**2,441,685**	1,651,127
Reserves		**30,052,058**	15,661,128
Equity attributable to owners of the Company		**32,493,743**	17,312,255
Non-controlling interests		**224,748**	97,455
Total Equity		**32,718,491**	17,409,710
Liabilities			
Non-current Liabilities			
Borrowings		**—**	762,400
Deferred tax liabilities		**282,987**	231,098
Deferred income		**682,035**	667,382
Lease liabilities		**1,067,103**	1,104,689
Convertible bonds-debt component	*17*	**1,819,029**	1,874,915
Convertible bonds-embedded derivative component	*17*	**1,582,060**	298,013
Financial liabilities at FVTPL	*18*	**—**	24,729
Other long-term liabilities		**219,117**	231,812
Total Non-current Liabilities		**5,652,331**	5,195,038
Current Liabilities			
Trade and other payables	*16*	**4,550,334**	3,392,829
Income tax payables		**340,371**	261,390
Amounts due to related parties		**23,845**	24,796
Borrowings		**1,230,011**	1,809,857
Financial liabilities at FVTPL	*18*	**16,508**	19,499
Lease liabilities		**177,436**	142,497
Derivative financial instruments	*19*	**859**	86,378
Contract liabilities		**1,580,980**	897,140
Total Current Liabilities		**7,920,344**	6,634,386
Total Liabilities		**13,572,675**	11,829,424
Total Equity and Liabilities		**46,291,166**	29,239,134

1. GENERAL INFORMATION

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

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

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

The functional currency of the Company is Renminbi ("**RMB**"), which is the same as the presentation currency of the 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. APPLICATION OF NEW AND REVISED IFRSs

Application of amendments to IFRSs

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

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

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

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

Amendment to IFRS 16	Covid-19-Related Rent Concessions

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

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 ("**CDMO services**")	CDMO services stand as an integrated platform to support the development of manufacturing processes and the production of advanced intermediates and active pharmaceutical ingredients and formulation development and dosage drug product manufacturing, for preclinical, clinical trials, new drug application, and commercial supply of chemical drugs as well as wide spectrum development from early to late stage.
Others	Others mainly include the administrative service income, sales of raw material and sales of scrap materials.

Segment revenue and results

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

	Year ended December 31, 2020					
	China-based laboratory services *RMB'000*	U.S.-based laboratory services *RMB'000*	Clinical research and other CRO services *RMB'000*	CDMO services *RMB'000*	Others *RMB'000*	Total *RMB'000*
Segment revenue	**8,545,824**	**1,516,597**	**1,168,852**	**5,282,054**	**22,104**	**16,535,431**
Segment results	**3,592,526**	**328,715**	**165,442**	**2,156,845**	**11,516**	**6,255,044**
Unallocated amount:						
Other income						**326,339**
Other gains and losses						**283,177**
Impairment losses under ECL model, net of reversal						**(12,627)**
Impairment losses of goodwill, net of reversal						**(44,346)**
Selling and marketing expenses						**(588,459)**
Administrative expenses						**(1,869,707)**
Research and development expenses						**(693,260)**
Share of losses of associates						**(76,833)**
Share of losses of joint ventures						**(13,919)**
Finance costs						**(196,033)**
Profit before tax						**3,369,376**

	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*	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

The CODM makes decisions according to operating results of each segment. No analysis of segment asset and liability is presented as the CODM does not regularly review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

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 31/12/2020	Year ended 31/12/2019
	RMB'000	*RMB'000*
Revenue		
— PRC	**4,145,325**	2,965,615
— Asia-others	**679,651**	519,649
— USA	**8,861,913**	7,683,496
— Europe	**2,650,781**	1,536,124
— Rest of the world	**197,761**	167,322
	16,535,431	12,872,206

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, 2020 and 2019.

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

	Year ended 31/12/2020	Year ended 31/12/2019
	RMB'000	*RMB'000*
— PRC	**12,689,580**	8,814,396
— Rest of the world	**3,523,719**	3,490,234
	16,213,299	12,304,630

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

5. REVENUE

The Group derives its revenue from the transfer of goods and services over time 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 31/12/2020	Year ended 31/12/2019
	RMB'000	*RMB'000*
Revenue		
— China-based laboratory services	**8,545,824**	6,473,214
— U.S.-based laboratory services	**1,516,597**	1,562,928
— Clinical research and other CRO services	**1,168,852**	1,062,790
— CDMO services	**5,282,054**	3,752,054
— Others	**22,104**	21,220
	16,535,431	12,872,206

Timing of revenue recognition

	Year ended 31/12/2020	Year ended 31/12/2019
	RMB'000	*RMB'000*
Over time		
— China-based laboratory services	**7,073,019**	5,400,698
— U.S.-based laboratory services	**1,516,597**	1,562,928
— Clinical research and other CRO services	**1,168,852**	1,062,790
— CDMO services	**490,446**	355,021
— Others	**21,880**	20,064
At a point in time		
— China-based laboratory services	**1,472,805**	1,072,516
— CDMO services	**4,791,608**	3,397,033
— Others	**224**	1,156

The aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) are RMB15,855 million as at December 31, 2020 (December 31, 2019: RMB11,947 million). The expected amount of revenue recognized in 2021 is RMB11,544 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 31/12/2020	Year ended 31/12/2019
	RMB'000	*RMB'000*
Interest income on bank balances	**92,363**	88,210
Government grants and subsidies related to		
— asset *(i)*	**54,279**	58,386
— income *(ii)*	**152,643**	88,218
Dividend income arising from financial assets at FVTPL	**27,054**	14,683
	326,339	249,497

Notes:

(i) The Group has received certain government grants and subsidies to invest in laboratory equipment. 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 31/12/2020	Year ended 31/12/2019
	RMB'000	*RMB'000*
Net foreign exchange (loss) gain	**(411,116)**	20,668
Gain on disposal of financial assets at FVTPL	**310,792**	39,559
Loss on disposal of plant and equipment and right-of-use assets	**(9,358)**	(4,295)
Gain resulting from transfer of an investment in associates to financial assets at FVTPL (Note)	**351,491**	—
Fair value gain (loss) on financial assets at FVTPL	**1,181,239**	(84,029)
Loss on derivative financial instruments (unrealized)	**(1,339,370)**	(76,604)
Loss on derivative financial instruments (realized)	**(32,608)**	(78,126)
Fair value gain on biological assets	**291,718**	4,949
Fair value loss on financial liabilities at FVTPL	**(41,062)**	(11,424)
Others	**(18,549)**	455
	283,177	(188,847)

Note:

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

8. FINANCE COSTS

	Year ended 31/12/2020	Year ended 31/12/2019
	RMB'000	*RMB'000*
Interest expense on borrowings	**66,468**	56,428
Interest on lease liabilities	**54,205**	45,682
Effective interest expense on convertible bonds	**69,066**	19,895
Imputed interest expense on payable for acquisition of a property and a subsidiary	**6,294**	6,014
	196,033	128,019

9. INCOME TAX EXPENSE

	Year ended 31/12/2020 *RMB'000*	Year ended 31/12/2019 *RMB'000*
Current tax:		
— PRC	**458,902**	400,412
— Hong Kong	**61,587**	19,605
— USA	**(10,052)**	31,344
— Rest of world	**2,151**	564
	512,588	451,925
(Over) under provision in respect of prior years:		
— PRC	**(27,795)**	(20,816)
— Hong Kong	**(111)**	(631)
— USA	**(12,715)**	11,222
	(40,621)	(10,225)
Deferred tax:		
— Current year	**(88,841)**	(16,141)
	383,126	425,559

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 both years.

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 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 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.

The tax charge for the Reporting Period can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	Year ended 31/12/2020 ***RMB'000***	Year ended 31/12/2019 *RMB'000*
Profit before tax	**3,369,376**	2,336,968
Tax at the applicable tax rate of 25%	**842,344**	584,242
Tax effect of expenses not deductible for tax purpose	**245,284**	13,717
Tax effect of income that is exempt from taxation	**(165,920)**	(40,943)
Over provision in respect of prior years	**(40,621)**	(10,225)
Effect of unused tax losses and other deductible temporary differences not recognised as deferred tax assets	**75,990**	55,786
Utilization of tax losses and other deductible temporary differences previously not recognised as deferred tax assets	**(12,415)**	(18,239)
Effect on opening deferred tax assets or liabilities resulting from change in applicable tax rate	**(18,935)**	23,224
Effect of different tax rate of subsidiaries operating in other jurisdictions and tax concession	**(527,033)**	(181,570)
Others	**(15,568)**	(433)
Income tax expense	**383,126**	425,559

10. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	Year ended 31/12/2020 *RMB'000*	Year ended 31/12/2019 *RMB'000*
Depreciation for property, plant and equipment	**871,227**	742,377
Depreciation of right-of-use assets	**195,555**	158,249
Amortization of other intangible assets	**69,192**	62,725
Expense relating to short-term leases	**8,878**	15,385
Expense relating to leases of low-value assets that are not shown above as short-term leases	**336**	411
Staff cost (including directors' emoluments):		
— Salaries and other benefits	**4,928,998**	4,085,750
— Retirement benefit scheme contributions	**470,388**	426,091
— Equity-settled share-based payments	**556,732**	173,470
— Cash-settled share-based payments	**108,385**	21,680
Less: capitalised in inventories and contract costs	**(722,410)**	(492,049)
	6,487,281	5,194,089
Auditor's remuneration	**5,930**	6,193

11. DIVIDENDS

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

	Year ended 31/12/2020	Year ended 31/12/2019
	RMB'000	*RMB'000*
2019 Final-RMB0.337 (inclusive of tax) per ordinary share (2018: RMB0.58)	**556,430**	678,641

Subsequent to the end of the Reporting Period, the directors of the Company proposes the 2020 profit distribution plan ("**2020 Profit Distribution Plan**") as follows: (1) a dividend of RMB0.363 (2019: RMB0.337) (inclusive of tax) per ordinary share to be paid to shareholders on the record date for determining the shareholders' entitlement to 2020 Profit Distribution plan which amounts to an aggregate amount of RMB889,537,000 (2019: RMB556,430,000) (inclusive of tax) based on the total issued share capital of the Company as of the date of the report, and (2) 2 new shares for every 10 existing shares (2019: 4 new shares for every 10 existing shares) of the Company to be issued out of reserve to all shareholders of the Company at the forthcoming general meeting 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 share (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 31/12/2020	Year ended 31/12/2019
	RMB'000	*RMB'000*
Earnings:		
Profit attributable to ordinary equity holders of the parent	**2,960,235**	1,854,551
Less: Cash dividends attribute to the shareholders of restricted shares expected to be unlocked in the future	**(6,622)**	(3,263)
Earnings for the purpose of calculating basic earnings per share	**2,953,613**	1,851,288
Effect of dilutive potential ordinary shares:		
Add: Cash dividends attribute to the shareholders of restricted shares expected to be unlocked in the future	**6,622**	3,263
Effect of share options issued by a subsidiary	**(13,237)**	(20,608)
Earnings for the purpose of calculating diluted earnings per share	**2,946,998**	1,833,943
Number of Shares ('000):		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**2,327,840**	2,281,037
Effect of dilutive potential ordinary shares:		
Effect of restricted shares and share options issued by the Company	**20,783**	5,823
Effect of over-allotment option	**—**	229
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**2,348,623**	2,287,089

The computation of diluted earnings per share for the year ended December 31, 2020 and 2019 is based on weighted average number of shares assumed to be in issue after taking into account the effect of restricted shares issued by the Company.

The denominator for the purposes of calculating both basic and diluted earnings per share for the year ended December 31, 2020 and 2019 have been adjusted to reflect the capitalisation issue completed on June 4, 2020 under the 2019 Profit Distribution Plan.

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

13. FINANCIAL ASSETS AT FVTPL

	31/12/2020	31/12/2019
	RMB'000	*RMB'000*
Current assets		
Monetary fund investment	**—**	795,702
Structured deposits and financial products	**4,617,725**	905,936
	4,617,725	1,701,638
Non-current assets		
Listed equity securities	**1,835,826**	1,156,949
Unlisted equity investments *(Note i)*	**4,489,915**	2,563,112
Unlisted fund investments *(Note ii)*	**391,466**	289,020
	6,717,207	4,009,081

Note:

(i) As at December 31 2020, the Group has irrevocably elected to measure investments amounted to RMB1,493,322,000 (2019: RMB554,945,000) 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

	31/12/2020	31/12/2019
	RMB'000	*RMB'000*
Trade receivables		
— third parties	**3,686,071**	2,994,427
Less: Allowance for credit losses	**(77,386)**	(67,572)
	3,608,685	2,926,855
Other receivables	**24,076**	14,732
Note receivable	**2,500**	24,735
Prepayments	**175,732**	92,158
Interest receivables	**2,247**	5,229
Prepaid expenses	**21,322**	24,040
Value added tax recoverable	**496,492**	460,863
Rental deposits	**6,812**	7,277
	705,105	614,302
Total trade and other receivables	**4,337,866**	3,555,889

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

	31/12/2020	31/12/2019
	RMB'000	*RMB'000*
Within 180 days	**3,239,280**	2,792,413
181 days to 1 year	**202,561**	116,540
1 year to 2 years	**161,530**	33,042
More than 2 years	**7,814**	9,595
	3,611,185	2,951,590

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.

Contract Assets

	31/12/2020	31/12/2019
	RMB'000	*RMB'000*
Contract assets	**544,699**	382,212
Less: Allowance for credit losses	**(2,746)**	(2,816)
	541,953	379,396

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 0.30% to 2.08%, per annum as at December 31, 2020 (December 31, 2019: 0.30% to 2.08%).

Pledged bank deposits represent deposits placed in banks as collateral for letters of guarantee for the purchase of raw materials and plant and equipment by the Group. The pledged bank deposits will be released upon the repayment of relevant letters of guarantee.

16. TRADE AND OTHER PAYABLES

	31/12/2020	31/12/2019
	RMB'000	*RMB'000*
Trade payables	**928,953**	572,507
Salary and bonus payables	**1,139,557**	758,377
Payables for acquisition of plant and equipment	**1,414,076**	926,263
Accrued expenses	**372,253**	352,859
Other taxes payable	**38,286**	20,456
Interest payable	**848**	5,325
Note payable	**11,652**	19,090
Others	**87,541**	56,340
Considerations received from employees for subscribing restricted A shares of the Company under the 2018 and 2019 WuXi AppTec A Share Incentive Scheme	**557,168**	681,612
	4,550,334	3,392,829

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

	31/12/2020	31/12/2019
	RMB'000	*RMB'000*
Within one year	**926,076**	581,858
1 year to 2 years	**5,369**	5,350
2 years to 3 years	**6,263**	2,501
More than 3 years	**2,897**	1,888
	940,605	591,597

17. CONVERTIBLE BONDS

On September 17, 2019 (the "**Issue Date**"), the Company issued a five-year zero coupon convertible bonds (the "**Convertible Bonds**") overseas in an aggregate principal amount of USD300,000,000. The conversion period is on or after October 28, 2019 up to the close of business on the date falling 10 working days prior to September 17, 2024 (the "**Maturity Date**") and the price of H shares to be issued in exercise of the right of conversion is initially HK$111.8 per H share and the conversion price of Convertible Bonds would be adjusted accordingly when the Company distributes stock dividends, issues new shares or places new shares, distributes cash dividend. The conversion price has been adjusted to HK$79.85 per H Share as a result of the approval of the payment of the Profit Distribution and the Capitalization of Reserve by the Shareholders at the 2019 annual general meeting of the Company with effect from June 4, 2020.

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

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

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

The Convertible Bonds comprise two components:

(a) Debt component was initially measured at fair value. It is subsequently measured at amortised cost using the effective interest method after considering the effect of the transaction costs.

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

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

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

	Debt components *RMB'000*	**Embedded derivative component** *RMB'000*	**Total** *RMB'000*
Balance at 1 January 2020	1,874,915	298,013	2,172,928
Interest charge	69,066	—	69,066
Exchange adjustments	(124,952)	(65,340)	(190,292)
Loss arising on changes of fair value	—	1,349,387	1,349,387
As at December 31, 2020	1,819,029	1,582,060	3,401,089

No conversion or redemption of the Convertible Bonds has occurred up to December 31, 2020.

As at December 31, 2020, the derivative component was measured at fair value with reference to valuation report issued by Beijing Pugu Financial Consulting Co., Ltd. And the changes in fair value are recognised in profit or loss during the year.

18. FINANCIAL LIABILITIES AT FVTPL

	31/12/2020	31/12/2019
	RMB'000	*RMB'000*
Current liability		
Contingent consideration	**16,508**	19,499
Non-current liability		
Contingent consideration	**—**	24,729

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.

19. DERIVATIVE FINANCIAL INSTRUMENTS

	31/12/2020	31/12/2019
	RMB'000	*RMB'000*
Current assets		
Derivatives under hedge accounting		
Cash flow hedges — Foreign currency forward contracts	**512,916**	25,240
Cash flow hedges — Foreign currency collar option contracts	**49,908**	—
Other derivatives (not under hedge accounting)		
Foreign currency forward contracts and collars	**—**	11,515
	562,824	36,755
Current liabilities		
Derivatives under hedge accounting		
Cash flow hedges — Foreign currency forward contracts	**147**	56,381
Interest hedges — Interest rate swap contracts	**712**	—
Other derivatives (not under hedge accounting)		
Foreign currency forward contracts and collars	**—**	29,997
	859	86,378

Derivatives under hedge accounting

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

	Average strike rate as at December 31, 2020	Notional value as at December 31, 2020	Fair value assets as at December 31, 2020
		USD'000	*RMB'000*
Sell USD			
Less than 3 months	6.8566	249,000	76,863
3 to 6 months	7.0082	276,000	108,281
7 to 12 months	6.8678	377,000	84,811
Buy RMB			
Less than 3 months	7.0783	156,000	85,567
3 to 6 months	7.1747	147,000	88,899
7 to 12 months	6.9386	217,000	68,495

	Average strike rate as at December 31, 2020	Notional value as at December 31, 2020	Fair value liabilities as at December 31, 2020
		USD'000	*RMB'000*
Sell USD			
7 to 12 months	6.5400	170,000	147
Interest swaps			
Less than 3 months	N/A	100,000	712

Collar Options	Average strike rate 1* as at December 31, 2020	Average strike rate 2* as at December 31, 2020	Notional value as at December 31, 2020	Fair value assets as at December 31, 2020
			USD'000	*RMB'000*
Sell USD				
7 to 12 months	6.9500	7.0500	200,000	49,908

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

	Year ended 31/12/2020		
	Fair value change of derivative financial instruments recognised in other comprehensive income	**Reclassification from other comprehensive income into profit or loss**	**Profit or loss items**
	RMB'000	*RMB'000*	
Cash flow hedges			
Anticipated future sales	660,111	(68,917)	Revenue
Anticipated future purchase	29,037	(17,020)	Cost of services
Anticipated borrowings repayment	2,253	(1,501)	Finance costs
	691,401	(87,438)	

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

The Group entered into interest rate swaps to mitigate its interest rate risk. Under the interest rate swaps, the Group agrees with other third party to exchange the floating interest payments in USD for fixed interest rate at 0.54% and 0.62% per annum in USD. As at December 31, 2020, the aggregate amount of losses under interest rate swaps recognised in other comprehensive income is RMB753,000 (as at December 31, 2019: Nil). It is anticipated that the interest rate swaps will terminate within next 3 months and the amount recognised in other comprehensive income will be reclassified to profit or loss in the same periods during which the hedged expected future cash flows affect profits or loss.

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

20. SHARE CAPITAL

	RMB'000
Ordinary shares of RMB1.00 each	
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 and January 1, 2020	1,651,127
Share premium transferred to share capital *(Note)*	660,451
Placement of new H shares	68,205
Non-public issuance of A shares	62,690
Issue of restricted A shares under the 2019 WuXi AppTec A Share Incentive Scheme	383
Issue of A shares under 2018 WuXi AppTec A Share Incentive Scheme-Reserved Options	63
Repurchase and cancellation of restricted A shares	(1,234)
At December 31, 2020	2,441,685

Note:

Pursuant to the written resolutions of the shareholders of the Company passed on May 15, 2020, 4 new shares for every 10 existing shares of the Company were issued out of reserve to all shareholders. As a result, RMB660,451,000 (2019: RMB468,013,000) was transferred from share premium to share capital.

21. EVENTS AFTER THE REPORTING PERIOD

The Group has the following events taken place subsequent to December 31, 2020.

Proposal of Profit Distribution Plan

Subsequent to the end of the Reporting Period, the Board proposes the 2020 Profit Distribution Plan as follows: (1) a cash dividend of RMB3.63 (inclusive of tax) for every 10 shares (representing an aggregate amount of RMB889,537,206.36 (inclusive of tax) based on the total issued shares of the Company as of the date of this announcement), and (2) 2 new shares for every 10 existing shares of the Company to be issued out of reserve to all shareholders. In the event of change in total issued Shares of the Company before the record date for profit distribution, dividends will be distributed according to the original dividend amount per share and the total distribution amount and the total number of new shares to be issued out of reserve to all Shareholders will be adjusted accordingly. The 2020 Profit Distribution Plan is subject to, amongst others, approval by shareholders of the Company at the forthcoming annual general meeting 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).

DEFINITIONS

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

"2018 A Share Incentive Plan"	the Restricted A Shares and Stock Option Incentive Plan of 2018 adopted by the Company on August 22, 2018
"2019 A Share Incentive Plan"	the Restricted A Shares and Stock Option Incentive Plan of 2019 adopted by the Company on September 20, 2019
"2019 Capitalization of Reserve"	the issuance of 4 2019 Capitalization Shares for every 10 Shares by way of capitalization of reserve under the 2019 Profit Distribution Plan
"2019 Capitalization Shares"	the new Shares to be allotted and issued under the 2019 Capitalization of Reserve by the Company
"2019 Initial Grant"	the initial grant of 13,657,803 Restricted A Shares and 5,292,174 Share Options upon adoption of the 2019 A Share Incentive Plan

"2019 Profit Distribution"	the proposed distribution of cash dividend of RMB3.37 for every 10 Shares (inclusive of tax) under the 2019 Profit Distribution Plan
"2019 Profit Distribution Plan"	the profit distribution plan of the Company for the year ended December 31, 2019 including which includes the 2019 Capitalization of Reserve and the 2019 Profit Distribution
"2019 Reserved Grant"	any grant of reserved interests subsequent to the initial grant under the 2019 A Share Incentive Plan
"2020 Capitalization of Reserve"	the issuance of 2 2020 Capitalization Shares for every 10 Shares by way of capitalization of reserve under the 2020 Profit Distribution Plan
"2020 Capitalization Shares"	the new Shares to be allotted and issued under the 2020 Capitalization of Reserve by the Company
"2020 Profit Distribution"	the proposed distribution of cash dividend of RMB3.63 for every 10 Shares (inclusive of tax) under the 2020 Profit Distribution Plan
"2020 Profit Distribution Plan"	the profit distribution plan of the Company for the year ended December 31, 2020 which includes the 2020 Capitalization of Reserve and the 2020 Profit Distribution
"A Share(s)"	domestic shares of our Company, with a nominal value of RMB1.00 each, which are listed for trading on the Shanghai Stock Exchange and traded in RMB
"AAV"	adeno-associated virus
"ADME"	adsorption, distribution, metabolism, and excretion
"AGM"	the 2020 annual general meeting to be convened the Company
"AI"	artificial intelligence
"API"	active pharmaceutical ingredient
"Articles of Association"	the articles of association of the Company as amended from time to time

"Audit Committee"	the audit committee of the Board
"Award"	an award granted by the Board to a Selected Participant, which may vest in the form of Award Shares or the actual selling price of the Award Shares in cash, as the Board may determine in accordance with the terms of the Scheme Rules
"Award Shares"	the H Shares granted to a Selected Participant in an Award
"BLA"	Biologics License Application, a request made to the FDA for permission to introduce, or deliver for introduction, of a biological product into interstate commerce in the United States
"Board of Directors" or "Board"	our board of Directors
"Bonds" or "Convertible Bonds"	USD300 million zero coupon convertible bonds due 2024 convertible at the option of the holder thereof into fully paid ordinary H Shares of the Company of par value RMB1.00 each at the adjusted conversion price of HK$79.85 per H Share
"CDMO"	Contract Development and Manufacturing Organization, a CMO that in addition to comprehensive drug manufacturing services, also provide process development and other drug development services in connection with its manufacturing services
"CG Code"	the "Corporate Governance Code" as contained in Appendix 14 to the Listing Rules
"China" or "PRC"	the People's Republic of China, which for the purpose of this annual results announcement and for geographical reference only, excludes Hong Kong, Macau and Taiwan
"Class Meetings"	the first H Share class meeting of 2021 and the first A Share class meeting of 2021 to be convened by the Company

"Company", "our Company", "WuXi AppTec", "Group", "our Group", "We" "our", "us"	WuXi AppTec Co., Ltd.* (無錫藥明康德新藥開發股份有限公司), a joint stock limited company incorporated under the laws of the PRC, the predecessor of which, WuXi AppTec Ltd. (無錫藥明康德新藥開發有限公司) (formerly known as WuXi PharmaTech Co., Ltd (無錫藥明康德組合化學有限公司)) was established under the laws of the PRC as an enterprise legal person in December 2000, the A Shares of which are listed on the Shanghai Stock Exchange (stock code: 603259) and the H shares of which are listed on the Hong Kong Stock Exchange (stock code: 02359) and if the context requires, includes its predecessor
"COVID-19"	the novel coronavirus pneumonia
"CRO"	Contract Research Organization
"CTA"	Clinical Trial Authorization
"CTDMO"	Contract Testing, Development, Manufacturing Organization
"Director(s)"	the director(s) of the Company or any one of them
"DEL"	DNA-encoded library
"DMPK"	Drug Metabolism and Pharmacokinetics, refers to studies designed to determine the absorption and distribution of an administered drug, the rate at which a drug takes effect, the duration a drug maintains its effects and what happens to the drug after being metabolized by the body
"EBITDA"	Earnings before Interest, Tax, Depreciation and Amortization

"Eligible Employee(s)"	any individual, being a Director, supervisor, senior management, mid-level manager, basic-level manager, backbone member of the technicians, other technician, who is a full-time PRC or non-PRC employee of any members of the Group; however, no individual who is resident in a place where the grant, acceptance or vesting of an Award pursuant to the Scheme is not permitted under the laws and regulations of such place or where, in the view of the Board or the management committee of the Scheme, compliance with applicable laws and regulations in such place makes it necessary or expedient to exclude such individual, shall be entitled to participate in the Scheme and such individual shall therefore be excluded from the term Eligible Employee
"eCTD"	Electronic Common Technical Document
"FDA"	Food and Drug Administration in the U.S.
"Founding Individuals"	Dr. Ge Li, Dr. Ning Zhao, Mr. Xiaozhong Liu and Mr. Zhaohui Zhang
"FVTPL"	Fair Value Through Profit or Loss
"Group"	the Company and its subsidiaries
"GMP"	Good Manufacturing Practice, a quality system imposed on pharmaceutical firms to ensure that products produced meet specific requirements for identity, strength, quality and purity, and enforced by public agencies, for example the U.S. FDA
"H Share(s)"	overseas listed foreign shares in the share capital of our Company with nominal value of RMB1.00 each, which are listed on the Stock Exchange
"H Share Award and Trust Scheme" or "Scheme"	the H Share award and trust scheme adopted by the Company in accordance with the Scheme Rules
"HK$"	Hong Kong dollars and cents, both are the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC

"IFRS"	International Financial Reporting Standards
"Incentive Participants"	the persons to be granted restricted A Shares, share options or share appreciation rights under the 2019 Share Incentive Plan, including the Company's Directors, senior management, mid-level management, backbone members of technicians, basic-level management and other technicians, and incentive participants under the 2019 A Share Incentive Plan
"IND"	Investigational New Drug
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
"Listing"	the listing of the H Shares on the Main Board of the Stock Exchange on December 13, 2018
"MAH"	Market Authorized Holder, a certification granted by the NMPA, which allows certain license holders to use a qualified CMO to manufacture pharmaceutical products
"Maturity Date"	means the date on which the Convertible Bonds will be redeemed at 106.43 per cent. Of their outstanding principal amount, unless previously redeemed, converted or purchased and cancelled, which is expected to be on September 17, 2024
"M&A"	mergers and acquisitions
"Model Code"	the "Model Code for Securities Transactions by Directors of Listed Issuers" as set out in Appendix 10 to the Listing Rules
"NDA"	New Drug Application
"New H Shares"	the new H Shares to be issued upon the exercise of the Specific Mandate, the maximum number of which is (i) 68,205,400 New H Shares; or (ii) 95,487,500 New H Shares as the Capitalization of Reserve is completed, representing not more than 40% of the total issued H Shares of the Company

"NMPA"	National Medical Products Administration
"Placing Agents"	Morgan Stanley & Co. International Plc, Huatai Financial Holdings (Hong Kong) Limited, Goldman Sachs (Asia) L.L.C. and J.P. Morgan Securities Plc
"Proposed Issuance of H Shares"	the proposed issuance of the New H Shares under the Specific Mandate by the Company to specific subscribers
"Proposed Non-public Issuance of A Shares"	the proposed non-public issuance of not more than 105,000,000 A Shares by the Company to specific subscribers
"R&D"	research and development
"Reporting Period"	the year ended December 31, 2020
"Reserved Interests"	reserved interests of 2,947,774 units, representing 10% of the total interests to be granted under the 2019 A Share Incentive Plan, which may be granted as Restricted A Shares or Share Options for further distribution
"Restricted A Shares"	the restricted A Shares granted by the Company under the 2018 A Share Incentive Plan and/or the 2019 Share Incentive Plan
"RMB"	Renminbi, the lawful currency of the PRC
"Selected Participant(s)"	any Eligible Employee who is approved for participation in the Scheme and has been granted any Award in accordance with the Scheme Rules
"Share Options"	share options granted under the initial grant of the 2019 A Share Incentive Plan
"Share(s)"	ordinary shares in the capital of our Company with a nominal value of RMB1.00 each, comprising A Shares and H Shares
"Shareholder(s)"	holder(s) of Shares
"Scheme Rules"	the rules governing the operation of the Scheme as well as the implementation procedures (as amended from time to time)

"SMO"	Site Management Organization
"Specific Mandate"	the specific mandate granted to the Board by the Shareholders at the 2019 annual general meeting, the first A Share class meeting of 2020 and the first H Share class meeting of 2020 of the Company held on May 15, 2020 in relation to the Proposed Issuance of H Shares
"STA"	Shanghai SynTheAll Pharmaceutical Co., Ltd* (上海合全藥業股份有限公司)
"Stock Exchange" or "Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Trustee"	the trustee appointed by the Company for the purpose of the trust under the Scheme, and initially, Computershare Hong Kong Trustees Limited, a company incorporated in Hong Kong and having its registered office at 46th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
"U.S."	the United States of America, its territories, its possession and all areas subject to its jurisdiction
"USD"	United States dollars, the lawful currency of the United States
"WIND"	WuXi IND
"WuXi Biologics"	WuXi Biologics (Cayman) Inc. (藥明生物技術有限公司) (stock code: 2269), a company incorporated under the laws of Cayman Islands with limited liability on February 27, 2014, the shares of which were listed on the Main Board of the Stock Exchange on June 13, 2017

"YoY"	year-over-year
"%"	percentage

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

Hong Kong, March 30, 2021

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

* *For identification purposes only*