藥明康德
WuXi AppTec

無錫藥明康德新藥開發股份有限公司
WuXi AppTec Co., Ltd.*

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

Stock Code : 2359

ANNUAL REPORT 2020

*For identification purpose only

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Dr. Ge Li (李革)
(Chairman and Chief Executive Officer)
Mr. Edward Hu (胡正國)
(Vice Chairman and Global Chief Investment Officer)
Dr. Steve Qing Yang (楊青)
(Co-chief Executive Officer)
(appointed on May 15, 2020)
Mr. Zhaohui Zhang (張朝暉)
Dr. Ning Zhao (趙寧)

Non-executive Directors

Mr. Xiaomeng Tong (童小幪)
Dr. Yibing Wu (吳亦兵)

Independent Non-executive Directors

Dr. Jiangnan Cai (蔡江南)
Ms. Yan Liu (劉艷)
Mr. Dai Feng (馮岱)
Dr. Hetong Lou (婁賀統)
Mr. Xiaotong Zhang (張曉彤)

JOINT COMPANY SECRETARIES

Mr. Chi Yao (姚馳)
Ms. Siu Wing Kit (蕭潁潔)
(appointed on March 24, 2020)

AUTHORISED REPRESENTATIVES

Mr. Edward Hu (胡正國)
Mr. Chi Yao (姚馳)

STRATEGY COMMITTEE

Dr. Ge Li (李革) *(Chairperson)*
Mr. Edward Hu (胡正國)
Mr. Xiaomeng Tong (童小幪)
Dr. Yibing Wu (吳亦兵)
Dr. Jiangnan Cai (蔡江南)

AUDIT COMMITTEE

Dr. Hetong Lou (婁賀統) *(Chairperson)*
Mr. Xiaotong Zhang (張曉彤)
Ms. Yan Liu (劉艷)
(ceased on March 30, 2021)
Dr. Jiangnan Cai (蔡江南)
(appointed on March 30, 2021)

REMUNERATION AND APPRAISAL COMMITTEE

Ms. Yan Liu (劉艷) *(Chairperson)*
Dr. Hetong Lou (婁賀統)
Dr. Ning Zhao (趙寧)
(ceased on March 30, 2021)
Mr. Dai Feng (馮岱)
(appointed on March 30, 2021)

NOMINATION COMMITTEE

Dr. Jiangnan Cai (蔡江南) *(Chairperson)*
Ms. Yan Liu (劉艷)
Dr. Ge Li (李革)

AUDITOR

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors
35/F, One Pacific Place
88 Queensway
Hong Kong

REGISTERED OFFICE IN THE PRC

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Wuxi
Jiangsu Province
PRC

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

288 Fute Zhong Road
Waigaoqiao Free Trade Zone
Shanghai
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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PRINCIPAL BANKERS

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26th Floor, HSBC Building
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Shanghai
PRC

Shanghai Pudong Development Bank
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Baoshan District
Shanghai
PRC

Agricultural Bank of China Limited
(Caojing Branch)
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Caojing Town
Jinshan District
Shanghai
PRC

China Merchants Bank
(Waigaoqiao Branch)
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Pudong District
Shanghai
PRC

JPMorgan Chase Bank (China) Company Limited
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Citi Tower
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Shanghai
PRC

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Shanghai, China

Bank of Communications Co., Ltd. Wuxi Branch
678 Zhongshan Road,
Liangxi , Wuxi City,
China

HONG KONG LEGAL ADVISER

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Suite 1509, 15/F, Jardine House
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PRC LEGAL ADVISER

Fangda Partners
24/F, HKRI Centre Two
HKRI Taikoo Hui 288
Shi Men Yi Road
Shanghai
PRC

A SHARE REGISTRAR AND TRANSFER OFFICE IN THE PRC

China Securities Depository & Clearing
Corporation Limited (CSDCC)
Shanghai Branch
China Insurance Building
166 East Lujiazui Road
Pudong District, Shanghai
PRC

H SHARE REGISTRAR

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

STOCK CODE

A Share: 603259
H Share: 02359

COMPANY'S WEBSITE

www.wuxiapptec.com.cn

Chairman's Statement

Dear Shareholders,

2020 presented unique challenges as the sudden outbreak of COVID-19 dramatically impacted all of us personally and professionally. The power of our geographically-diverse and comprehensive service platform truly came to bear, enabling us to turn the enormous challenges brought on by COVID-19 into new opportunities to support our customers and the patients we all serve. The continued strength of our operating platform once again proved not only to our customers, but also to the broader market the resilience of our business model. Over our twenty year history, WuXi AppTec has earned a solid reputation via our track record of continuously delivering stable and outstanding results for our stakeholders.

Thanks to the combined efforts of all our employees and strong support from our global customers, we overcame the impact of the COVID-19 pandemic and continued to meet customer demand and project schedules. Through early implementation of our business continuity plans, we managed to ensure the health of our employees whilst continuing to operate safely. This allowed us to leverage our global presence and comprehensive capabilities to meet project delivery timelines and capture new business opportunities. During the Reporting Period, our revenue increased 28.5% over the prior year to RMB16,535 million and our adjusted non-IFRS net profit attributable to owners of the Company increased 48.1% to RMB3,565 million.

Relentlessly executing our "Follow the Customer/Follow the Project/Follow and Win the Molecule" strategy, the power of our integrated business model allowed us to achieve remarkable results. During the Reporting Period, we added over 1,300 new customers and our total number of active customers now exceeds 4,200. Our China-based laboratory services and CDMO services realized robust growth and we gained market share across different business units. At our U.S.-based laboratories and clinical research services, we strengthened our capabilities and increased our backlog to support future growth. Meanwhile, we also continued to invest in building new capabilities and capacity globally. In early 2021, we acquired OXGENE, a pioneering United Kingdom-based cell and gene therapies contract research and development organization. We also announced the acquisition of a drug product manufacturing facility in Couvet, Switzerland. We believe these investments and geographic diversification will enable us to sustain our long-term growth objectives.

The fundamentals of our business remain very strong. Looking ahead, we will further increase investment in our R&D service capabilities and in our capacity of new modalities, in keeping with the industry trend and to better enable our customers in bringing innovative medicines to patients in need — realizing our vision that "every drug can be made and every disease can be treated".

Dr. Ge Li
Chairman and Chief Executive Officer

Hong Kong, March 30, 2021

Financial Highlights

	For the Year Ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
Operating results		
Revenue	**16,535,431**	12,872,206
Gross profit	**6,255,044**	5,006,148
Net profit attributable to the owners of the Company	**2,960,235**	1,854,551
Adjusted Non-IFRS net profit attributable to the owners of the Company	**3,565,331**	2,407,425
EBITDA	**4,701,384**	3,428,338
Adjusted EBITDA	**5,449,420**	4,014,574
Profitability		
Gross profit margin	**37.8%**	38.9%
Margin of net profit attributable to the owners of the Company	**17.9%**	14.4%
Margin of adjusted Non-IFRS net profit attributable to the owners of the Company	**21.6%**	18.7%
EBITDA margin	**28.4%**	26.6%
Adjusted EBITDA margin	**33.0%**	31.2%
Earnings per share (RMB)		
— Basic	**1.27**	0.81
— Diluted	**1.25**	0.80
Adjusted earnings per share (RMB)		
— Basic	**1.53**	1.05
— Diluted	**1.51**	1.04

	As at December 31,	
	2020	2019
	RMB'000	*RMB'000*
Financial position		
Total assets	**46,291,166**	29,239,134
Equity attributable to the owners of the Company	**32,493,743**	17,312,255
Total liabilities	**13,572,675**	11,829,424
Bank balances and cash	**10,228,057**	5,223,293
Gearing ratio	**29.3%**	40.5%

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 projects 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 Services*

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. 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 *RMB million*	Gross Profit Margin	Gross Profit *RMB million*	Gross Profit Margin	Gross Profit Change
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 (赢回2020)" strategy of the Company in the second half of the year, the SMO business smoothly resumed the development momentum before the pandemic, 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 incentives; (2) increase in equipment maintenance fee; and (3) increase in depreciation and amortisation expenses driven by increasing investment in fixed assets.

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) increase in fair value gain from invested portfolio companies (mainly JW Cayman, Hua Medicine and Hygeia).

Cash Flows

	2020 ***RMB million***	2019 *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 40 to the consolidated financial statements in this annual report.

(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 Measures

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 (note)	**5,449.4**	4,014.5
Adjusted EBITDA margin	**33.0%**	31.2%

Note: The sum of the data above is inconsistent with the total due to rounding.

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 expense	**587.8**	161.2
Convertible Bonds issuance expense	**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 due to 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.

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 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.
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.

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 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.
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 products

The Group adopted a prudent financial management approach towards its treasury policy and maintained a healthy financial position throughout the Reporting Period. To better utilize surplus cash generated from operating and financing activities, we have engaged in treasury management activities by investing in wealth management products issued by financial institutions of 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 68,205,400 New H Shares (or 95,487,500 New H Shares as the 2019 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 2019 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 75,000,000 A Shares (or 105,000,000 A Shares as the 2019 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 2019 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 (with an aggregate nominal value of RMB68,205,400) have been successfully placed to no less than six independent placees at the placing price of HK$108.00 per new H Share (with the net price being approximately HK$106.95) pursuant to the terms and conditions of the placing agreement. The closing price of the H Shares on July 29, 2020, being the date on which the terms of the placing was fixed, was HK$112.10. The Board and senior management of the Company consider that the placing is highly beneficial to the Company for the following reasons:

(a) It will broaden the Company's H Shares Shareholder base and profile, thereby enhancing its access to international investors of strategic value by allowing it to further leverage on the Hong Kong Stock Exchange's H share trading platform;

(b) The proceeds from the Proposed Issuance of H Shares will provide readily available funding for the Company to seize large transient opportunities for securing acquisition of suitable overseas target companies in the businesses of CDMO, clinical CRO and pre-clinical CRO and drug discovery with valuation of approximately US$500 million or above and over 10 years of operating history and 1,000 employees, which could potentially provide effective synergy with its service platform and support for the growth of the Group's healthcare ecosystem;

(c) By expanding its global capacity and capabilities amidst the industry trend of localization and in response to the recent policy trend and legislation initiatives of the U.S. in increasing domestic pharmaceutical manufacturing activities as a result of the COVID-19 pandemic, the Company will become more resilient to the localization trend and related risks that may affect the global supply chain;

(d) It will allow the Company to expand its CDMO capacity in the PRC, thereby enabling the Company to capture the market opportunities and consolidate its existing market share in the PRC; and

(e) By applying a portion of the net proceeds to repay part of its existing indebtedness to reduce the interest on the borrowings, the Company will lower its level of indebtedness and optimize its financing structure.

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 (with an aggregate nominal value of RMB62,690,290) have been issued to 17 subscribers at the issue price of RMB104.13 per A Share (with the net price being approximately RMB103.07). The closing price of the A Shares on March 24, 2020, being the date on which the terms of the Proposed Non-public Issuance of A Shares was fixed, was RMB91.85. The 17 subscribers comprise Macquarie Bank Limited, Deutsche Bank Aktiengesellschaft, The Hongkong and Shanghai Banking Corporation Limited, UBS AG, Merrill Lynch International, Credit Suisse (Hong Kong) Limited, Generali China — Fixed Increase Preferred Asset Management Product No. 33* (中意資產 — 定增優選33號資產管理產品), Changjiang Jinse Wanqing (Combined) Enterprise Annuity Plan — SPD Bank* (長江金色晚晴(集合型)企業年金計劃 — 浦發), Changjiang Old-age Insurance Co., Ltd. — China Pacific Life Insurance Stock Fixed Increase (Individuals Dividends) Entrusted Investment Management Account* (長江養老保險股份有限公司 — 中國太平洋人壽股票定增型(個分紅)委託投資管理專戶), Beixin Ruifeng Fund Management Co., Ltd.* (北信瑞豐基金管理有限公司), CITIC-Prudential Fund Management Co., Ltd.* (中信保誠基金管理有限公司), Caitong Fund Management Co., Ltd.* (財通基金管理有限公司), Shanghai Shenchuang Equity Investment Fund Partnership (Limited Partnership)* (上海申創股權投資基金合夥企業(有限合夥)), Guizhou Railway Phase 1 No. 6 Equity Investment Fund Centre (Limited Partnership)* (貴州鐵路壹期陸號股權投資基金中心(有限合夥)), Hangzhou PolyUp Investment Management Co., Ltd. — PolyUp Multi-strategy No. 2 Private Investment Fund* (杭州匯升投資管理有限公司 — 匯升多策略2號私募投資基金), Hong Tao* (洪濤) and Gao Jinhua* (高進華).

The Company intends to improve the capability and capacity of its R&D services platform, and strengthen its service capacity for the whole industry chain, especially the CDMO segment, the discovery for small molecule drugs and drug analysis and testing services segment through the Proposed Non-public Issuance of A Shares. In addition, the Company intends to use the proceeds from the Proposed Non-public Issuance of A Shares to enhance the process development, improvement and production services to provide quality service to customers. The Proposed Non-public Issuance of A Shares will also strengthen the capital resources and improve the capital structure of the Company, providing solid support to the strategy of integrated end-to-end development.

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) 2019 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 2019 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.

The "Proposal on the Repurchase and Cancellation of Part of the Restricted A Shares Granted under the 2018 A Share Incentive Scheme" was approved at the sixth meeting of the second session of the Board, Pursuant to the above proposal, 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 initial grant under the 2019 A Share Incentive Plan 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 initial grant under the 2019 A Share Incentive Plan. 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.

The "Proposal on the Repurchase and Cancellation of Part of the Restricted A Shares at the Cancellation of Part of the Share Option Granted under the 2019 A Share Incentive Plan" was approved at the sixth meeting of the second session of the Board, Pursuant to the above proposal, due to (i) the departure of 33 incentive participants before the expiry of the lock-up period under the 2019 A Share Incentive Plan, and (ii) the departure of 30 incentive participants before the expiry of the vesting period of the Share Option on October 19, 2020, the Board considered and approved the repurchase of a total of 266,230 Restricted A Shares granted under the initial grant under the 2019 A Share Incentive Plan 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 initial grant under the 2019 A Share Incentive Plan and (iii) the cancellation of an aggregate of 29,131 units of Share Options granted under the reserved grant under the 2019 A Share Incentive Plan. 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 reserved grant under the 2019 A Share Incentive Plan. The underlying shares of the reserved grant under the 2019 A Share Incentive Plan 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 reserved grant under the 2019 A Share Incentive Plan shall be RMB40.59 per A Share and the exercise price of the reserved Share Options to be granted under the reserved grant under the 2019 A Share Incentive Plan 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 annual report. 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 annual report.

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 US$300 million zero coupon convertible bonds due 2024*

Pursuant to the terms and conditions of the Bonds, the price at which H Shares will be issued upon conversion is subject to adjustment for, among other things, capital distributions and capitalization of profits or reserves made by the Company. Therefore, the conversion price of the Bonds has been adjusted from HK$111.80 per H Share, being the initial conversion price to HK$79.85 per H Share as a result of the 2019 Profit Distribution and 2019 Capitalization of Reserve approved 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 annual report, 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.

Five-Year Statistics

	For the year ended December 31,				
	2016 *RMB'000*	2017 *RMB'000*	2018 *RMB'000*	2019 *RMB'000*	**2020** ***RMB'000***
Operating results					
Revenue	6,116,131	7,765,260	9,613,684	12,872,206	**16,535,431**
Gross profit	2,482,491	3,239,920	3,776,919	5,006,148	**6,255,044**
Operating profit	1,441,018	1,689,807	2,596,400	2,485,704	**3,656,161**
Profit for the year	1,120,973	1,296,720	2,333,681	1,911,409	**2,986,250**
Profit attributable to the owners of the Company	974,980	1,227,093	2,260,523	1,854,551	**2,960,235**
Profitability					
Gross profit margin	40.6%	41.7%	39.3%	38.9%	**37.8%**
Operating profit margin	23.6%	21.8%	27.0%	19.3%	**22.1%**
Margin of net profit attributable to the owners of the Company	15.9%	15.8%	23.5%	14.4%	**17.9%**
Earnings per share (RMB) (Note)					
— Basic	0.55	0.67	1.14	0.81	**1.27**
— Diluted	0.54	0.66	1.13	0.80	**1.25**

	As at December 31,				
	2016 *RMB'000*	2017 *RMB'000*	2018 *RMB'000*	2019 *RMB'000*	**2020** ***RMB'000***
Financial position					
Total assets	10,590,683	12,580,447	22,667,202	29,239,134	**46,291,166**
Equity attributable to the owners of the Company	5,569,173	6,342,380	17,688,021	17,312,255	**32,493,743**
Total liabilities	4,528,278	5,842,436	4,501,971	11,829,424	**13,572,675**
Bank balances and cash	2,507,299	2,466,144	5,757,691	5,223,293	**10,228,057**
Gearing ratio	42.8%	46.4%	19.9%	40.5%	**29.3%**

Note: Both basic and diluted earnings per share have been adjusted to reflect the capitalisation issue under the 2018 Profit Distribution Plan and the 2019 Profit Distribution Plan.

Profiles of Directors, Supervisors and Senior Management

Below are the brief profiles of the current Directors, Supervisors and Senior Management of the Group.

DIRECTORS

As of the date of this annual report, the Board comprises 12 Directors, of which five are executive Directors, two are non- executive Directors and five are independent non-executive Directors. The following table sets forth information regarding the Directors.

Name	Age	Position	Date of Appointment as Director
Executive Directors			
Dr. Ge Li (李革)	54	chairman, chief executive officer and executive Director	March 1, 2017
Mr. Edward Hu (胡正國)	58	vice chairman, global chief investment officer	May 21, 2020
		executive Director	March 1, 2017
Dr. Steve Qing Yang (楊青)	52	executive Director	May 15, 2020
		co-chief executive officer	May 21, 2020
Mr. Zhaohui Zhang (張朝暉)	51	executive Director, vice president	March 1, 2017
Dr. Ning Zhao (趙寧)	54	executive Director, vice president	March 1, 2017
Non-executive Directors			
Mr. Xiaomeng Tong (童小幪)	47	non-executive Director	March 1, 2017
Dr. Yibing Wu (吳亦兵)	53	non-executive Director	March 1, 2017
Independent non-executive Directors			
Dr. Jiangnan Cai (蔡江南)	63	independent non-executive Director	March 1, 2017
Ms. Yan Liu (劉艷)	48	independent non-executive Director	March 1, 2017
Mr. Dai Feng (馮岱)	45	independent non-executive Director	August 22, 2018 (effective from the Listing Date)
Dr. Hetong Lou (婁賀統)	58	independent non-executive Director	March 1, 2017
Mr. Xiaotong Zhang (張曉彤)	52	independent non-executive Director	March 1, 2017

SUPERVISORS

As of the date of this annual report, our Supervisory Committee consists of three Supervisors, including the chairman of the Supervisory Committee and an employee representative Supervisor.

Name	Age	Position	Date of Appointment as Supervisor
Mr. Harry Liang He (賀亮)	54	chairman of the Supervisory Committee	March 1, 2017
Mr. Baiyang Wu (吳柏楊)	56	Supervisor	August 31, 2020
Ms. Minfang Zhu (朱敏芳)	49	employee representative Supervisor	March 1, 2017

EXECUTIVE DIRECTORS

Dr. Ge Li (李革), aged 54, is the chairman, chief executive officer and an executive Director of the Company. He is also the chairperson of the Strategy Committee and a member of the Nomination Committee of the Company. Dr. Ge Li is primarily responsible for the overall management of the business of our Group. Dr. Ge Li founded our Group in December 2000 and he also serves as a director of most subsidiaries of our Company.

Dr. Ge Li has the following work experience:

- Since February 2014, he has been serving as a non-executive director and chairman of WuXi Biologics, a company listed on the Main Board of the Stock Exchange (stock code: 2269) and primarily engaged in the discovery, research, development and manufacturing of biological services, and has been responsible for providing overall guidance on the business, strategy, and corporate development.

- From August 2007 to December 2015, he served as the chairman and the chief executive officer of WuXi PharmaTech, a company previously listed on NYSE and was responsible for its overall management.

Dr. Ge Li obtained a bachelor's degree in chemistry from Peking University in the PRC in July 1989. He also obtained a Ph.D. degree in organic chemistry from Columbia University in the United States in February 1994.

Dr. Ge Li is the spouse to Dr. Ning Zhao.

Mr. Edward Hu (胡正國), aged 58, is the vice chairman, the global chief investment officer and an executive Director of our Company. He is also a member of the Strategy Committee of the Company. Mr. Edward Hu is primarily responsible for the overall business and management of our Group. He joined our Group in August 2007 and was appointed as an executive Director in March 2017. Mr. Edward Hu served as a co-chief executive officer from August 2018 to May 2020. He served as the chief financial officer from March 2016 to January 2019. He also serves as a director of most subsidiaries of our Company.

Mr. Edward Hu has the following work experience:

- Since February 2014, he has been serving as a non-executive director of WuXi Biologics, a company listed on the Main Board of the Stock Exchange (stock code: 2269) and has been primarily responsible for providing guidance on the business strategy and financial management.

- From May 2018 to March 2021, he served as a director of Viela Bio Inc., a company listed on NASDAQ (stock code: VIE) since October 2019.

- From August 2007 to December 2015, he served as the chief financial officer and chief operating officer of WuXi PharmaTech, a company previously listed on NYSE and was responsible for the financial and operational management.

- From October 2000 to July 2007, he served on various roles to become a senior vice president and chief operating officer of Tanox Inc., a biopharmaceutical company previously listed on NASDAQ (stock code: TNOX, acquired by Genentech Inc. in August 2007) and primarily engaged in discovering and developing antibody therapeutic drugs, and was responsible for company operations, quality control, finance and information technology.

- From April 1998 to October 2000, he served as a business planning manager of Biogen Inc., a global biotechnology company listed on NASDAQ (stock code: BIIB) which primarily engaged in developing, marketing and sales of biopharmaceuticals for neurologic and immune diseases, and he was responsible for business planning and budget management of its research and development division.

- From May 1996 to December 1998, he served as a senior financial analyst of Merck, and was responsible for financial planning and analysis.

Mr. Edward Hu obtained a bachelor's degree in physics from Hangzhou University, currently known as Zhejiang University (浙江大學), in the PRC in July 1983. He also obtained a master's degree in chemistry and a master's degree of business administration from Carnegie Mellon University in the United States in May 1993 and May 1996, respectively.

Dr. Steve Qing Yang (楊青), aged 52, is an executive Director and co-chief executive officer of our Company. He is primarily responsible for our commercial operation and research services of our Group. Dr. Steve Qing Yang joined our Group in April 2014.

Dr. Steve Qing Yang has the following work experience:

- Since May 2020, he has been serving as an executive Director and co-chief executive officer of our Company.

- From December 2015 to May 2020, he served as an executive vice president and chief business officer at our Company.

- From April 2014 to December 2015, he served as a vice president, chief operating officer, chief business officer and chief strategy officer at WuXi PharmaTech, a company previously listed on NYSE.

- Prior to joining our Group, he served as a vice president and the head of Asia and Emerging Markets iMed of AstraZeneca (阿斯利康製藥公司) in the United Kingdom, a company listed on the NYSE (stock code: AZR).

- He joined Pfizer Inc. in the U.S., a company listed on the NYSE (stock code: PFE) in November 2001. From November 2001 to August 2006, he served as the executive director and head of global research and development. From September 2006 to December 2010, he served as the head of Asia R&D and the vice president of global research and development.

Dr. Steve Qing Yang obtained a bachelor's degree from Michigan Technological University in the United States in June 1991 and a Ph.D. degree from University of California, San Francisco in the United States in 1997.

Mr. Zhaohui Zhang (張朝暉), aged 51, is an executive Director and a vice president of our Company. He is primarily responsible for the business development of our Group. Mr. Zhaohui Zhang founded our Group in December 2000.

Mr. Zhaohui Zhang has the following work experience:

- Since December 2015, he has been serving as a director and senior vice president of operation of our Company.

- From August 2007 to December 2015, he served as a director and senior vice president of operation of WuXi PharmaTech, a company previously listed on NYSE.

- From December 2000 to July 2007, he served as a director and vice president of domestic marketing of our Company.

- In around 2000, he served as the chief executive officer of Wuxi Qingye Investment Consultancy Limited (無錫青葉企業投資諮詢有限責任公司).

Mr. Zhaohui Zhang obtained a bachelor's degree in mechanical and electrical engineering from Jiangnan University (江南大學) in the PRC in 1990 and a master's degree in business administration from China Europe International Business School in the PRC in 2008.

Dr. Ning Zhao (趙寧), aged 54, is an executive Director and a vice president of our Company. Dr. Ning Zhao is primarily responsible for the global human resources management and corporate strategy of our Group. She joined our Group in March 2004.

Dr. Ning Zhao has the following work experience:

- Since February 2011, she has been serving as a senior vice president of operations, global head of human resources of our Company.
- From February 2009 to December 2015, she served as a director of WuXi PharmaTech, a company previously listed on NYSE.
- From February 2008 to February 2011, she served as the lead advisor of analytical services operations of our Company.
- From March 2004 to February 2008, she served as a vice president of analytical services of our Company.
- Between the 1990s and the 2000s, she worked as a research and development supervisor at Wyeth Pharmaceuticals, Inc., Pharmacopeia Inc. and Bristol-Myers Squibb Co. with various research papers published.

Dr. Ning Zhao obtained a bachelor's degree in chemistry from Peking University in the PRC in July 1989. She also obtained a Ph.D. degree from Columbia University in the United States in the 1990s.

Dr. Ning Zhao is the spouse of Dr. Ge Li.

NON-EXECUTIVE DIRECTORS

Mr. Xiaomeng Tong (童小幪), aged 47, is a non-executive Director of our Company. He is also a member of the Strategy Committee of the Company. Mr. Xiaomeng Tong is primarily responsible for providing guidance on corporate strategy and governance to our Group. He joined our Group in March 2016.

Mr. Xiaomeng Tong has the following work experience:

- From February 2018 to May 2019, he served as non-executive director of CStone Pharmaceuticals (基石藥業有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 2616).
- From June 2015 to January 2020, he served as a director of Guangzhou Kingmed Diagnostics Group Co., Ltd (廣州金域醫學檢驗集團股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 603882).
- Since June 2014, he has been serving as an independent non-executive director of Alibaba Pictures Group Limited (阿里巴巴影業集團有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 01060).

- Since May 2011, he has been serving as a managing partner of Boyu Capital Advisory Co. Limited (博裕投資顧問).

- From October 2008 to April 2011, he served as a managing director and head of Greater China District of Providence Equity Partners, where he headed its Greater China District practice.

- From July 2000 to September 2008, he served as a managing director and joint head of Greater China District of General Atlantic, where he co-headed its Greater China practice.

Mr. Xiaomeng Tong obtained a bachelor's degree in economics from Harvard University in the United States in June 1998.

Dr. Yibing Wu (吳亦兵), aged 53, is a non-executive Director of our Company. He is also a member of the Strategy Committee of the Company. Dr. Yibing Wu is primarily responsible for providing guidance on corporate strategy and governance to our Group. He joined our Group in March 2016.

Dr. Yibing Wu has the following work experience:

- Since May 2016, he has been serving as a non-executive Director of WuXi Biologics, a company listed on the Main Board of the Stock Exchange (stock code: 2269) and has been responsible for providing guidance on corporate strategy and governance.

- Since November 2015, he has been serving as a director of Summer Bloom Investments Pte. Ltd.

- Since January 2014, he has been serving as a director and general manager of Temasek Holdings Advisors (Beijing) Co., Ltd.

- Since October 2013, he has been working with Temasek International Pte. Ltd. and is currently the senior managing director, the joint head of Enterprise Development Group and the head of China.

- From January 2012 to September 2013, he served as the president of CITIC Goldstone Investment Co. Ltd.

- From April 2011 to April 2014, he served as a director of Neptune Orient Lines Limited, a company listed on the Singapore Exchange Limited (stock code: RE2).

- From December 2009 to September 2013, he served as the president of CITIC Private Equity Funds Management Co., Ltd.

- From May 2009 to July 2013, he served as a non-executive director of Lenovo Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 0992)

- From September 2008 to November 2009, he served as the standing vice president of Legend Holdings Co., Ltd.

- From August 2004 to August 2008, he was seconded from McKinsey & Company as the chief strategy officer, chief integration officer, chief transformation officer and chief information officer of Lenovo Group Ltd.

- From September 1996 to August 2008, he worked with McKinsey & Company, where he was a senior partner, senior director, and the head of Asia Pacific M&A practice and general manager of Beijing office.

Dr. Yibing Wu obtained a bachelor's degree in molecular biology from University of Science and Technology of China (中國科學技術大學) in the PRC in July 1989 and a Ph.D. degree in biochemistry and molecular biology from Harvard University in the United States in June 1996.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Jiangnan Cai (蔡江南), aged 63, is an independent non-executive Director of our Company. He is also the chairperson of the Nomination Committee, a member of the Strategy Committee of the Company and a member of the Audit Committee of the Company. He is primarily responsible for supervising and providing independent judgement to our Board. Dr. Jiangnan Cai was appointed as our independent non-executive Director in March 2017.

Dr. Jiangnan Cai has the following work experience:

- Since January 2020, he has been serving as a Chairman of the Academy of China Healthcare Innovation Platform (CHIPA).

- Since November 2019, he has been serving as an independent director of Betta Pharmaceuticals Co., Ltd. (貝達藥業股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300558) and has been responsible for supervising and providing independent judgement to the board of the company.

- Since June 2016, he has been serving as an independent non-executive director of Shanghai Pharmaceuticals Holding Co., Ltd. (上海醫藥集團股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 601607) and the Main Board of the Stock Exchange (stock code: 2607) and has been responsible for supervising and providing independent judgement to the board of the company.

- From March 2015 to February 2021, he served as a non-executive director of Harmonicare Medical Holdings Limited (和美醫療控股有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 1509), and has been responsible for supervising and providing independent judgement to the board of the company.

- From May 2014 to July 2020, he served as an independent director of Zhejiang DIAN Diagnostics Co., Ltd. (浙江迪安診斷技術股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300244), and was responsible for supervising and providing independent judgement to the board of the company.

- From April 2012 to December 2019, he served as a part-time professor in economics and the director of Center for Healthcare Management and Policy of the China Europe International Business School (中歐國際工商學院衛生管理與政策研究中心).

- From April 1999 to June 2012, he served as a human services program planner, reimbursement analyst and contracted program coordinator at the Center for Health Information and Analysis at Massachusetts.

- From July 1987 to December 1990, he served as a lecturer and the director of the Institute of Economic Development in East China University of Science and Technology (華東理工大學經濟研究所).

Dr. Jiangnan Cai obtained a master's degree in economics from Fudan University (復旦大學) in February 1985 and a doctorate degree in health policy from Brandeis University in the United States in February 1997.

Ms. Yan Liu (劉艷), aged 48, is an independent non-executive Director of the Company. She is also the chairperson of the Remuneration and Appraisal Committee and a member of the Nomination Committee of the Company, Ms. Yan Liu is primarily responsible for supervising and providing independent judgement to our Board. She was appointed as our independent non-executive Director in March 2017.

Ms. Yan Liu has the following work experience:

- Since December 2016, she has been serving as an independent director of Huatai Securities Co., Ltd (華泰證券股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 601688) and the Main Board of the Stock Exchange (stock code: 6886).

- From September 2016 to May 2019, she served as an independent director of Yantai Changyu Pioneer Wine Co., Ltd (煙台張裕葡萄釀酒股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000869, 200869).

- Since August 2014, she has been serving as an independent director of Huaxin Cement Co., Ltd (華新水泥股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600801).

- She joined Beijing Tian Yuan Law Firm (北京市天元律師事務所) in October 1995 and is currently a partner of the firm.

Ms. Yan Liu obtained a bachelor's and master's degree in law from Peking University Law School (北京大學法學院) in the PRC in July 1995 and July 1998, respectively. She also obtained a master's degree in law from New York University Law School in the United States in May 2000.

Mr. Dai Feng (馮岱), aged 45, is an independent non-executive Director of our Company and a member of the Remuneration and Appraisal Committee of the Company. Mr. Dai Feng is primarily responsible for supervising and providing independent judgement to our Board. He was elected as our independent non-executive Director in August 2018 and such appointment was effective from December 13, 2018.

Mr. Dai Feng has the following work experience:

- Since February 2018, he has been serving as a director of The Forsyth Institute (Harvard Dental School Affiliate) (哈佛大學牙科學院附屬研究院).

- Since December 2017, he has been serving as an independent non-executive director of Sling Group Holdings Limited (stock code: 8285), a company listed on the GEM of the Stock Exchange.

- Since March 2015, he has been serving as the managing director of CareCapital Advisors Limited (松柏投資管理(香港)有限公司), a company principally engaged in management advisory, and has been responsible for advising on business development and organizational management, with a focus on the dental industry.

- From December 2007 to December 2010 and from March 2012 to December 2013, he served as a director of Lepu Medical Technology (Beijing) Co., Ltd. (樂普(北京)醫療器械股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300003).

- From April 2004 to December 2014, he has served at various positions, including manager, principal and managing director at Warburg Pincus Asia LLC, a company principally engaged in investment advisory.

- Mr. Dai Feng is currently the chairman of Wuxi EA Medical Instruments Technologies Limited (無錫時代天使醫療器械科技有限公司), a provider of invisible dental orthodontic devices and the vice chairman of Carestream Dental LLC, a provider of dental digital product lines and services.

Mr. Dai Feng obtained a bachelor's degree in engineering sciences from Harvard University in the United States in June 1997.

Dr. Hetong Lou (婁賀統), aged 58, is an independent non-executive Director of our Company. He is also the chairperson of the Audit Committee and a member of the Remuneration and Appraisal Committee. Dr. Hetong Lou is primarily responsible for supervising and providing independent judgement to our Board. He was appointed as our independent non-executive Director in March 2017.

Dr. Hetong Lou has the following work experience:

- Since May 2018, he has been serving as an independent director of Shandong Hualu Hengsheng Chemical Co Ltd (山東華魯恒升化工股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600426), and responsible for providing independent judgement to the board of the company.

- Since March 2018, he has been serving as an independent non-executive director of China Hengshi Foundation Company Limited (中國恒石基業有限公司), which was delisted on the Main Board of the Stock Exchange (stock code: 1197) on 4 July 2019, and was responsible for providing independent judgement to the board of the company.

- Since December 2015, he has been serving as an independent director of Neway Valve (Suzhou) Co., Ltd (蘇州紐威閥門股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 603699), and was responsible for providing independent judgement to the board of the company.

- From April 2015 to August 2018, he was a director of Shanghai Lilong New Media Co., Ltd (上海利隆新媒體股份有限公司), a company which shares are quoted on the NEEQ (stock code: 833366), primarily engaged in providing international integrated road show service, and was responsible for its general management.

- From December 2014 to November 2020, he served as an independent director of Shanghai LongYun Media Group Co., Ltd (上海龍韻傳媒集團股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 603729), and was responsible for providing independent judgement to the board of the company.

- He is currently serving as an associate professor of the Department of Accounting of Fudan University (復旦大學).

Dr. Hetong Lou obtained a bachelor's degree in accounting from Shanghai University of Finance and Economics (上海財經大學) in the PRC in July 1984. He has also obtained a Ph.D. degree in Accounting from Fudan University in the PRC in July 2007.

Mr. Xiaotong Zhang (張曉彤), aged 52, is an independent non-executive Director of our Company. He is a member of the Audit Committee of the Company. Mr. Xiaotong Zhang is primarily responsible for supervising and providing independent judgement to our Board. He was appointed as our independent non-executive Director in March 2017.

Mr. Xiaotong Zhang has the following work experience:

- Since September 2018, he has been serving as an independent director of Wuhan DR Laser Technology Co., Ltd. (武漢帝爾激光科技股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code:300776).

- From May 2018 to January 2020, he served as an independent director of Hubei Kailong Chemical Group Co., Ltd (湖北凱龍化工集團股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002783), and he was responsible for supervising and providing independent judgement to the board of the company.

- Since October 2015, he has been serving as an independent director of Limin Chemical Co., Ltd (利民化工股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002734), and he has been responsible for supervising and providing independent judgement to the board of the company.

- From October 2014 to January 2020, he served as an independent director of Shandong Huapeng Glass Co., Ltd (山東華鵬玻璃股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 603021), and he was responsible for supervising and providing independent judgement to the board of the company.

- Since April 1994, he has been serving as a lawyer and a partner of Beijing Finance and Commercial Law Offices (北京市通商律師事務所).

- He is currently serving as an independent director of CTS (Dengfeng) Songshan Shaolin Culture Tourism Co., Ltd (港中旅(登封)嵩山少林文化旅遊有限公司), and Xinjiang Jiayin Hospital Group Co., Ltd. (新疆佳音醫院集團股份有限公司), and has been responsible for supervising and providing independent judgement to the board of the companies.

Mr. Xiaotong Zhang obtained a bachelor's degree in law from Southwest University of Political Science and Law (西南政法大學) (formerly known as Southwest College of Political Science and Law (西南政法學院)) in the PRC in July 1990 and a master's degree in law from Peking University Law School (北京大學法學院) in the PRC in July 1999. He also obtained a master's degree in business administration from Cheung Kong Graduate School of Business (長江商學院) in the PRC in September 2015.

SUPERVISORS

Mr. Harry Liang He (賀亮), aged 54, is a Supervisor of our Company. He joined the Group in July 2005 and has been the chairman of the Supervisory Committee since March 2017.

Mr. Harry Liang He has the following work experience:

- Currently, he is serving as the head of operation management of the Waigaoqiao site of the Company and concurrently as the head of supply chain risk control management team of the Company's China risk control department.

- From December 2015 to March 2018, he served as an assistant to the chief executive officer and an executive director of the chief executive officer's office of our Company.

- From July 2007 to December 2015, he served as an assistant to the chief executive officer, senior director and subsequently an executive director of the chief executive officer's office of WuXi PharmaTech, a company previously listed on NYSE.

- From July 2005 to June 2007, he served as an assistant to the chief executive officer of our Company.

- He previously served as a senior chemical testing engineer, data management manager and as an acting manager of the United States Navy public works environmental laboratory at Shaw Environmental & Infrastructure Inc. (肖恩環境和基礎建設公司).

Mr. Harry Liang He obtained a bachelor's degree in chemistry from Beijing University of Chemical Technology in the PRC in July 1989.

Mr. Baiyang Wu (吳柏楊), aged 56, is a Supervisor of our Company. He joined the Group in 2000 and was appointed as a Supervisor in August 2020.

Mr. Baiyang Wu has the following work experience:

- From January 2000 to December 2015, he served as the senior manager of commercial development team of the Company.

- From January 2016 to December 2019, he served as the senior manager of government affairs and policy research department of the Company.

Mr. Baiyang Wu obtained a bachelor's degree in mechanics from Peking University in the PRC in July 1987.

Ms. Minfang Zhu (朱敏芳), aged 49, is a Supervisor of our Company. She joined our Group in February 2001 and was appointed as a Supervisor in March 2017.

Ms. Minfang Zhu has the following work experience:

- Since December 2015, she has been serving as a human resources assistant director, then a human resources associate director and subsequently a human resources director of our Company.

- From August 2007 to December 2015, she served as a finance senior manager and a human resources assistant director of WuXi PharmaTech, a company previously listed on NYSE.

- From February 2001 to August 2007, she served as a finance senior manager and a human resources assistant director of our Company.

Ms. Minfang Zhu obtained an associate degree in financial management from Jiangsu Radio and Television University (江蘇廣播電視大學) in the PRC in July 2001.

SENIOR MANAGEMENT

Dr. Ge Li (李革), see the section headed "Executive Directors" for details.
Mr. Edward Hu (胡正國), see the section headed "Executive Directors" for details.
Dr. Steve Qing Yang (楊青), see the section headed "Executive Directors" for details.
Mr. Zhaohui Zhang (張朝暉), see the section headed "Executive Directors" for details.
Dr. Ning Zhao (趙寧), see the section headed "Executive Directors" for details.

Mr. Ellis Bih-Hsin Chu (朱璧辛), aged 50, is the chief financial officer of our Company. He joined our Company in January, 2019.

Mr. Ellis Bih-Hsin Chu has the following work experience:

From 2006 to 2018, he successively served as the investment banking associate at Lehman Brothers Asia Limited, the vice president of the Investment Banking at Nomura International (Hong Kong) Limited, director of the Asia IBD — M&A Department at Citigroup Global Markets Asia Limited and the managing director and Head of China M&A at Merrill Lynch (Asia Pacific) Ltd and managing director and Head of Greater China at Ion Pacific Limited. Before joining us, he served as the chief financial officer of JHL Biotech Inc. since May 2018.

Mr. Ellis Bih-Hsin Chu obtained an MBA degree from Columbia Business School in 2006.

Dr. Shuhui Chen (陳曙輝), aged 57, is a vice president of our Company. He joined our Group in April 2004.

Dr. Shuhui Chen has the following work experience:

- Since December 2015, he has been serving as an executive vice president and chief scientific officer of our Company.

- From August 2007 to December 2015, he served as an executive vice president and chief scientific officer at WuXi PharmaTech, a company previously listed on NYSE.

- From April 2004 to August 2007, he served as the chief scientific officer of our Company.

- In around 2004, he served as a research advisor at Eli Lilly and Company, a company listed on the NYSE (stock code: LLY).

Dr. Shuhui Chen obtained a Ph.D. degree in chemistry from Yale University in the United States in May 1991.

Mr. Minzhang Chen (陳民章), aged 50, is a vice president of our Company. He joined our Group in 2008.

Mr. Minzhang Chen has the following work experience:

- Since 1997, he has had over 21 years of experience in the research and development and production management of new drugs. From 1997 to 2008, he served as the chief researcher of the chemistry department of Schering-Plough Research Institute (先靈葆雅研究所) and the head of the technical operation department of Vertex Pharmaceuticals Inc. He has been serving as the director and chief executive officer of STA since August 2011.

- Mr. Minzhang Chen obtained a bachelor's degree in chemistry from Peking University (北京大學) in the PRC in 1991. He also obtained a Ph. D. degree in Organic Chemistry from University of Minnesota in the U.S. in 1996.

Mr. Chi Yao (姚馳), aged 37, is the board secretary of our Company. He joined our Group in March 2016.

Mr. Yao has the following work experience:

- Since March 2016, he served as a board secretary and the executive director of the corporate legal office of our Company.

- From December 2012 to March 2016, he served as a legal consultant at DLA Piper (歐華律師事務所).

- From July 2011 to November 2012, he served as a legal consultant at King & Wood Mallesons (金杜律師事務所) in Beijing, PRC.

Mr. Chi Yao obtained a bachelor of law degree and a master's degree of law from China University of Political Science and Law (中國政法大學) in the PRC in June 2006 and June 2011, respectively.

Corporate Governance Report

The Board of the Company is pleased to present this corporate governance report in this annual report (the "Corporate Governance Report").

CORPORATE GOVERNANCE PRACTICES

The Board of the Company is committed to achieving good corporate governance standards.

The Board believes that good corporate governance standards are essential in providing a framework for the Company to safeguard the interests of shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company's corporate governance practices are based on the principles as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules.

The Board is of the view that throughout the year ended December 31, 2020, the Company has complied with all the code provisions as set out in the CG Code, except for code provision A.2.1. as explained in the paragraph headed "Chairman and Chief Executive Officer" below.

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 as set out in Appendix 10 to the Listing Rules.

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 year ended December 31, 2020.

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.

BOARD OF DIRECTORS

The Company is headed by an effective Board which oversees the Group's businesses, strategic decisions and performance and takes decisions objectively in the best interests of the Company.

The Board should regularly review the contribution required from a Director to perform his responsibilities to the Company, and whether the Director is spending sufficient time performing them.

Board Composition

During the year ended December 31, 2020, the Board comprised 12 Directors, consisting of 5 executive Directors, 2 non-executive Directors and 5 independent non-executive Directors as follows:

Executive Directors

Dr. Ge Li *(Chairman and Chief Executive Officer)*
Mr. Edward Hu *(Vice Chairman and Global Chief Investment Officer)*
Dr. Steve Qing Yang *(Co-chief Executive Officer)*
Mr. Zhaohui Zhang
Dr. Ning Zhao

Non-executive Directors

Mr. Xiaomeng Tong
Dr. Yibing Wu

Independent Non-executive Directors

Dr. Jiangnan Cai
Ms. Yan Liu
Mr. Dai Feng
Dr. Hetong Lou
Mr. Xiaotong Zhang

The biographical information of the Directors are set out in the section headed "Profiles of Directors, Supervisors and Senior Management" of this annual report and the relationships between the Directors are disclosed in the respective Director's biography.

Except for Dr. Ge Li, Dr. Ning Zhao and Mr. Zhaohui Zhang who had entered into an acting-in-concert agreement and a supplemental agreement on March 23, 2016 and March 17, 2017 to acknowledge and confirm their acting-in-concert relation in the Company and the relationships between the Directors set forth in the respective Director's biography under the section headed "Profiles of Directors, Supervisors and Senior Management", the Directors do not have financial, business, family or other material/relevant relationships with one another.

Chairman and Chief Executive Officer

Code provision A.2.1 stipulates that the roles of Chairman and Chief Executive should be separate and should not be performed by the same individual.

The Chairman and Chief Executive Officer of the Company are held by Dr. Ge Li who is the founder of the Company and has extensive experience in the industry.

The Board is of the view that given that Dr. Ge Li had been responsible for leading the strategic planning and business development of the Group, the arrangement would allow for effective and efficient planning and implementation of business decisions and strategies under the strong and consistent leadership, and should be overall beneficial to the management and development of the Group's business.

Independent Non-executive Directors

During the year ended December 31, 2020, the Board at all times exceeded the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors representing one-third of the board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his/her independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

Appointment and Re-election of Directors

The non-executive Directors (including independent non-executive Directors) of the Company are appointed for a specific term of three years and are eligible for re-election upon expiry of their term of office in accordance with the Articles of Association of the Company.

According to the Articles of Association of the Company, Directors shall be elected or replaced at general meetings and their term of office shall be three years. Directors are eligible for re-election upon expiry of their term of office, while the renewed term of office of independent directors shall not exceed six years. Subject to the relevant laws, regulations and regulatory rules of the place where the Company is listed, if the Board appoints a new director to fill any casual vacancy on the Board or as an addition to the existing Board, the term of office of such appointed director shall end upon the next annual general meeting of the Company and he/she is eligible for re-election and renewal thereat. All the directors appointed to fill causal vacancies shall accept shareholder election at the first general meeting after acceptance of the appointment.

Responsibilities of the Directors

The Board should assume responsibility for leadership and control of the Company and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses, for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to the management.

The Company has arranged appropriate insurance coverage on Directors' and officers' liabilities in respect of any legal actions taken against Directors and senior management arising out of corporate activities.

Continuous Professional Development of Directors

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director has received formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally-facilitated briefings for Directors would be arranged and reading material on relevant topics would be provided to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

During the year ended December 31, 2020, all Directors attended training sessions on the respective obligations of the Directors and senior management. In addition, relevant reading materials including legal and regulatory update have been provided to the Directors for their reference and studying.

The record of continuous professional development relating to director's duties and regulatory and business development that have been received by the Directors for the year ended December 31, 2020 is summarized as follows:

Directors	Type of Training[Note]
Executive Directors	
Dr. Ge Li	A/B
Mr. Edward Hu	A/B
Mr. Xiaozhong Liu[1]	A/B
Dr. Steve Qing Yang[2]	A/B
Mr. Zhaohui Zhang	A/B
Dr. Ning Zhao	A/B
Non-Executive Directors	
Mr. Xiaomeng Tong	A/B
Dr. Yibing Wu	A/B
Independent Non-Executive Directors	
Dr. Jiangnan Cai	A/B
Ms. Yan Liu	A/B
Mr. Dai Feng	A/B
Dr. Hetong Lou	A/B
Mr. Xiaotong Zhang	A/B

Note:

Types of Training
A: Attending training sessions, including but not limited to, briefings, seminars, conferences and workshops
B: Reading relevant news alerts, newspapers, journals, magazines and relevant publications

1. Mr. Xiaozhong Liu ceased to be the executive Director and vice president of the Company on May 15, 2020 and May 21, 2020 respectively.

2. Dr. Steve Qing Yang was appointed as an executive Director and co-chief executive officer of the Company with effect from May 15, 2020 and May 21, 2020 respectively.

Board Diversity Policy

The Company recognizes and embraces the benefits of having a diverse Board to enhance the quality of its performance. The Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. The Board has adopted a board diversity policy since the date of listing of the Company on the Stock Exchange for the purpose of ensuring that the Board has the appropriate balance of skills, experience and diversity of perspectives necessary to enhance the effectiveness of the Board.

The Company commits to selecting the best person for the role based on a range of diversity perspectives, including but not limited to gender, age, cultural background and ethnicity. All Board appointments will be based on meritocracy, and candidates will be considered against appropriate criteria, having due regard for the benefits of diversity on the Board.

The Nomination Committee will review the Board Diversity Policy and the measurable objectives, as appropriate, to ensure the effectiveness of the Policy.

Nomination Policy

The Board has delegated its responsibilities and authority for selection and appointment of Directors to the Nomination Committee of the Company.

The Company has adopted Nomination Policy which sets out the objectives, selection criteria and nomination procedures for identifying and recommending candidates for appointment or reappointment of Directors.

During the year ended December 31, 2020, Mr. Xiaozhong Liu ceased to be the executive Director and Dr. Steve Qing Yang was appointed as executive Director of the Company with effect from May 15, 2020.

BOARD COMMITTEES

The Board has established 4 committees, namely, the Audit Committee, Remuneration and Appraisal Committee, Nomination Committee and Strategy Committee, for overseeing particular aspects of the Company's affairs.

All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Board committees are posted on the Company's website and the Stock Exchange's website and are available to shareholders upon request.

Audit Committee

The Audit Committee consists of three independent non-executive Directors, namely Dr. Hetong Lou, Mr. Xiaotong Zhang and Dr. Jiangnan Cai. Dr. Hetong Lou is the chairperson of the Audit Committee.

The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code and in compliance with the relevant laws and regulations of the PRC.

The main duties of the Audit Committee include but are not limited to:

- monitoring and evaluating the work of the external auditor;
- supervising the implementation of the internal audit system of the Company;
- being responsible for the communications among the management level of the Company, the internal and external audit;
- reviewing and commenting on the financial reports of the Company;
- examining the financial reporting system, risk management and internal control systems of the Company;
- making recommendations to the Company on the appointment, reappointment and removal of the external auditor;

- performing daily management duties and implementing control on connected transactions; and

- performing such other duties determined by the Board and stipulated in the Listing Rules or regulatory rules of the place where the shares of the Company are listed.

During the Reporting Period, the Audit Committee held 9 meetings to review, in respect of the year ended December 31, 2020, the annual financial results and reports and significant issues on the financial reporting, operational and compliance controls, the effectiveness of the risk management and internal control systems and internal audit function, appointment of external auditors and engagement of non-audit services and relevant scope of works and, connected transactions and arrangements for employees to raise concerns about possible improprieties.

The Audit Committee also met the external auditors 2 times without the presence of the executive Directors.

The attendance records of the Audit Committee are set out under "Attendance Record of Directors and Committee Members".

Remuneration and Appraisal Committee

The Remuneration and Appraisal Committee consists of 3 independent non-executive Directors, namely Ms. Yan Liu, Dr. Hetong Lou and Mr. Dai Feng. Ms. Yan Liu is the chairperson of the Remuneration and Appraisal Committee.

The terms of reference of the Remuneration and Appraisal Committee are of no less exacting terms than those set out in the CG Code and in compliance with the relevant laws and regulations of the PRC.

The main duties of the Remuneration and Appraisal Committee include but are not limited to:

- formulating remuneration policies for Directors and senior management in accordance with the respective scope, responsibilities and significance of Directors and senior management and remuneration levels of similar positions in other enterprises within the same industry;

- making recommendations to the Board on the establishment of a formal and transparent procedure for developing remuneration policies;

- monitoring the implementation of remuneration system of the Company for the Directors and senior management;

- assessing the fulfillment of duties of Directors and senior management of the Company and appraising their annual performance;

- determining with delegated responsibility, the remuneration packages of individual Directors and senior management;

- reviewing and approving compensation payable to Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;

- reviewing and managing the share incentive scheme(s) of the Company, including determining the scope of the eligible participants and conditions of a grant and auditing the exercise conditions; and

- performing such other duties determined by the Board and stipulated in the Listing Rules or regulatory rules of the place where the shares of the Company are listed.

The Remuneration and Appraisal Committee held 5 meetings during the Reporting Period to review and make recommendation to the Board on the remuneration policy and structure of the Company and the remuneration packages of the Directors and senior management and other related matters. The attendance records of the Remuneration and Appraisal Committee are set out under "Attendance Records of Directors and Committee Members".

The remuneration of the members of the senior management of the Group by band for the Reporting Period is set out below:

Remuneration	**Number of persons**
HK$500,001 to HK$1,000,000	1
HK$2,500,001 to HK$3,000,000	1
HK$3,500,001 to HK$4,000,000	1
HK$4,000,001 to HK$4,500,000	1
HK$7,500,001 to HK$8,000,000	1
HK$11,500,001 to HK$12,000,000	1
HK$12,000,001 to HK$12,500,000	1
HK$12,500,001 to HK$13,000,000	1
HK$13,000,001 to HK$13,500,000	1
HK$22,500,001 to HK$23,000,000	1

Note:

(1) Inclusive of remuneration paid to a former senior management, Mr. Xiaozhong Liu who ceased to be the executive Director and vice president of the Company on May 15, 2020 and May 21, 2020, respectively.

(2) The remuneration of Minzhang Chen included his remuneration for serving as a director and chief executive officer of Shanghai SynTheAll Pharmaceutical Co., Ltd. from January 1, 2020 to March 23, 2020 and his remuneration for serving as a vice president of the Company from March 24, 2020 to December 31, 2020.

Nomination Committee

The Nomination Committee consists of 3 members, namely Dr. Jiangnan Cai, independent non-executive Director, Ms. Yan Liu, independent non-executive Director, and Dr. Ge Li, executive Director. Dr. Jiangnan Cai is the chairperson of the Nomination Committee.

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code and in compliance with the relevant laws and regulations of the PRC.

The main duties of the Nomination Committee include but are not limited to:

- making recommendation to the Board on its size and composition to complement the Company's business operation and shareholding structure;
- reviewing and making recommendations to the selection standard and procedure of Directors and senior management;
- identifying individuals suitably qualified to become Directors and senior management and selecting or making recommendations to the Board on selection of individuals nominated for directorships or senior management positions;
- reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- assessing the independence of independent non-executive Directors; and
- performing such other duties determined by the Board and stipulated in the Listing Rules or regulatory rules of the place where the shares of the Company are listed.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board diversity policy, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience etc. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's character, qualifications, experience, independence, time commitment and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

During the Reporting Period, the Nomination Committee held 1 meeting to review the structure, size and composition of the Board and the independence of the independent non-executive Directors. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained and has not set any measurable objective implementing the Board diversity policy. The attendance records of the Nomination Committee are set out under "Attendance Record of Directors and Committee Members".

Strategy Committee

The Strategy Committee consists of 5 members including 2 executive Directors namely, Dr. Ge Li and Mr. Edward Hu, 2 non-executive Directors namely, Mr. Xiaomeng Tong and Dr. Yibing Wu and 1 independent non-executive Director namely, Dr. Jiangnan Cai. Dr. Ge Li is the chairperson of the Strategy Committee.

The terms of reference of the Strategy Committee are in compliance with the relevant laws and regulations of the PRC.

The main duties of the Strategy Committee include but are not limited to:

- researching and recommending on long-term development strategy of the Company;
- researching and recommending on significant capital expenditure, investment and financing projects of the Company;
- researching and recommending on major capital operation (including but not limited to the increase or reduction of registered share capital, issuance of bonds, subsidiary merger, separation, dissolution or change of company form, profit distribution plan and make up for losses program), asset management project, and annual financial budget plan of the Company;
- researching and recommending on significant matters relating to the development of the Company;
- monitoring the above matters and assessing, examining and recommending on significant changes; and
- performing such other duties determined by the Board and stipulated in the Listing Rules or regulatory rules of the place where the shares of the Company are listed.

During the Reporting Period, the Strategy Committee held 3 meetings to review the annual financial budget and the current business development and investment projects of the Company. The attendance records of the Strategy Committee are set out under “Attendance Records of Directors and Committee Members”.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

During the year, the Board had reviewed the Company’s corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company’s policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and Written Employee Guidelines, and the Company’s compliance with the CG Code and disclosure in this Corporate Governance Report.

ATTENDANCE RECORDS OF DIRECTORS AND COMMITTEE MEMBERS

The attendance record of each director during their tenure of office at the Board and Board Committee meetings and the general meetings of the Company held during the year ended December 31, 2020 is set out in the table below:

	Attendance/Number of Meetings						
Name of Director	Board	Audit Committee	Remuneration and Appraisal Committee	Nomination Committee	Strategy Committee	Annual General Meeting	Other General Meetings and A Share Class Meeting and H Share Class meeting
Dr. Ge Li	14/14	NA	NA	1/1	3/3	1/1	3/3
Mr. Edward Hu	14/14	NA	NA	NA	3/3	1/1	3/3
Mr. Xiaozhong Liu[1]	4/4	NA	NA	NA	NA	1/1	2/2
Dr. Steve Qing Yang[2]	10/10	NA	NA	NA	NA	*	1/1
Mr. Zhaohui Zhang	14/14	NA	NA	NA	NA	1/1	3/3
Dr. Ning Zhao	14/14	NA	5/5	NA	NA	1/1	3/3
Mr. Xiaomeng Tong	14/14	NA	NA	NA	3/3	0/1	1/3
Dr. Yibing Wu	14/14	NA	NA	NA	3/3	0/1	1/3
Dr. Jiangnan Cai	14/14	NA	NA	1/1	3/3	1/1	3/3
Ms. Yan Liu	14/14	9/9	5/5	1/1	NA	1/1	3/3
Mr. Dai Feng	14/14	NA	NA	NA	NA	1/1	2/3
Dr. Hetong Lou	14/14	9/9	5/5	NA	NA	1/1	3/3
Mr. Xiaotong Zhang	14/14	9/9	NA	NA	NA	1/1	3/3

Apart from regular Board meetings, the Chairman also held meetings with the independent non-executive Directors without the presence of other Directors during the year.

All independent non-executive Directors and non-executive Directors have attended general meetings to gain and develop a balanced understanding of the view of shareholders.

Note:

* Dr. Steve Qing Yang attended the annual general meeting as vice president of our Company.

1. Mr. Xiaozhong Liu ceased to be the executive Director and vice president of the Company on May 15, 2020 and May 21, 2020 respectively.

2. Dr. Steve Qing Yang was appointed as an executive Director and co-chief executive officer of the Company with effect from May 15, 2020 and May 21, 2020 respectively.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Audit Committee monitors and manages the Company's overall risks related to the business operations. It also (i) reviews and approves the Company's risk management policy to ensure that such policies are in line with the corporate objectives; (ii) reviews and approves the corporate risk tolerance; (iii) monitors significant risks related to the business operations and the handling of such risks by the management; (iv) evaluates the corporate risk based on the corporate risk tolerance; and (v) monitors and ensures the appropriate application of the Company's risk management framework consistently within the Group.

The co-chief executive officers are responsible for (i) formulating and updating the Company's risk management policy and objectives; (ii) reviewing and approving major risk management matters of the Company; (iii) formulating risk management measures; (iv) providing guidance on the risk management approach to the relevant departments of the Company; (v) reviewing the relevant departments' reporting on key risks and providing feedback; (vi) monitoring the implementation of risk management measures by relevant departments; (vii) ensuring that the appropriate structure, processes and competences are in place across the Group; and (viii) reporting significant risks to the Audit Committee.

The relevant departments of the Company are responsible for implementing the risk management policy and the day-to-day risk management practices. In order to standardize risk management across the Group and establish transparent and standardized risk management performance, the relevant departments (i) collect data on risks related to their operation and function; (ii) conduct risk assessment, including the identification, prioritization, measurement and categorization of all major risks which may have potential impacts on achieving their objectives; (iii) prepare risk management reports for the review of the chief executive officers; (iv) continuously monitor major risks related to the Company's operations; (v) implement appropriate measures in response to the risk exposure where necessary; and (vi) formulate and implement appropriate mechanisms to facilitate the application of the risk management framework.

The Company have engaged an internal control consultant to perform certain agreed-upon procedures in connection with the internal control of the Company and the major operating subsidiaries and to report factual findings on the Group's entity-level controls and internal controls of various processes, including environment control, risk assessment, internal monitoring, information and communication, anti-bribery, reporting and disclosure, related parties and related party transaction, tax, sales and payment collection management, purchases and payment management, inventory management, fixed assets management, human resources and remuneration management, capital management, contract management, research and development and intangible assets management, information system management, and insurance.

The Company has adopted a series of internal control policies, measures and procedures designed to provide reasonable assurance for achieving objectives, including effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations. The internal control policies, measures and procedures which the Company implemented or plans to implement are summarized below:

- The Company has set up the Compliance Department and Legal Affairs Office, which are responsible for the overall internal control, corporate governance and legal compliance matters of the Group.

- The Compliance Department and Legal Affairs Office are responsible for issuing and amending internal control policies, measure and procedures to ensure that the Company maintains comprehensive and effective internal control and complies with applicable laws and regulations. The Compliance Department also monitors the implementation of the internal control policies, measures and procedures and conducts regular compliance review and investigation at different stages of drug development process. In addition, the Compliance Department and Legal Affairs Office provide guidelines to the business departments regarding each stage of the drug discovery, development or manufacturing process.

- The Compliance Department organizes monthly/annual inspections on the internal controls of each business department of the Company and issues to the person-in-charge of the relevant business department the internal control self-assessment report with information related to risks discovered and any suggested remedies for his/her action.

- The person-in-charge of each business department is responsible for implementing relevant internal control policies, measures and procedures and conducting regular review regarding the implementation of such policies, measures and procedures.

- The Company has implemented relevant internal control policies, measures and procedures for all business departments regarding each of the drug discovery, development and manufacturing stages, educating the relevant employees about such policies, measures and procedures, and addressing their questions, submitting suggested revisions to such policies, measures and procedures to the Compliance Department and regularly inspect the implementation of policies, measures and procedures.

- The Company has adopted various measures and procedures for all aspects of the business operation, such as project management, quality assurance, intellectual property protection, environmental protection and occupational health and safety. Employees are provided with regular training on such measures and procedures. The implementation of measures and procedures are constantly monitored through the Compliance Department at each stage of the drug development process.

- The Compliance Department has established a whistleblowing mechanism regarding complaints against the Directors, senior management, employees, clients, and other business partners, and independent and fair investigation will be conducted on the reported complaints for appropriate follow up actions. The Compliance Department has also established an online platform for the employees to report their complaints and inquiries. Besides, the Compliance Department has established Whistleblowing Policies which regulates the reporting channels, case officers, investigation procedures and results reports, and explicitly states that retaliation on whistleblowers is prohibited. Based on the complaints received, the Compliance Department will evaluate the effectiveness and any potential weaknesses in the Company's internal control system to make corresponding improvement on the internal control policies, measures and procedures.

The Company has developed its disclosure policy which provides a general guide to the Company's Directors, officers, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries.

Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited.

The Board, through the Audit Committee, has reviewed the effectiveness of the internal audit system and the risk management and the internal control system of the Group, including the adequacy of resources, qualifications and experience of staff in the aforementioned systems and of the Company's accounting and financial reporting function, and the adequacy of their training programs and budget.

For the year ended December 31, 2020, the Board, through a review, considered that the risk management and internal control system of the Group was effective and adequate.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended December 31, 2020.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report.

AUDITORS' REMUNERATION

The remuneration paid or payable to the Company's external auditors of the Group in respect of audit services and non-audit services for the year ended December 31, 2020 amounted to RMB5.9 million and RMB4.0 million respectively.

An analysis of the remuneration paid to the external auditors of the Group, in respect of audit services and non-audit services for the year ended December 31, 2020 is set out below:

Service Category	**Fees Paid/ Payable** *RMB'000*
Audit Services	5,930
Non-audit Services	
— Taxation	2,920
— Due Diligence	1,045
	9,895

JOINT COMPANY SECRETARIES

During the year ended December 31, 2020, Mr. Chi Yao and Ms. Siu Wing Kit of Tricor Services Limited (an external service provider) ("Tricor") were the joint company secretaries of the Company, they have complied with Rule 3.29 of the Listing Rules by taking no less than 15 hours of the relevant professional training during the year.

All Directors have access to the advice and services of the joint company secretaries on corporate governance and board practices related matters.

SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings, including the election of individual Director. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

Convening an Extraordinary General Meeting

A shareholders' general meeting is required to be held once every year. An extraordinary general meeting is required to be held within 2 months of the occurrence of any of the following:

- the number of Directors is less than the number stipulated by the PRC Company Law or less than two-thirds of the number specified in the Articles of Association;
- the unrecovered losses of the Company amounted to one-third of the Company's total paid-in share capital;
- Shareholders severally or jointly holding more than 10% or more of the Company's Shares request in writing to hold such meeting;
- the Board deems it necessary;
- the Supervisory Committee proposes to hold such a meeting; or
- any other circumstances as provided for in the laws, administrative regulations, departmental rules, regulatory documents, the Listing Rules, the Rules Governing the Listing of Stocks on Shanghai Stock Exchange, or the Articles of Association.

A shareholders' general meeting shall be convened by the Board, and presided over by the Chairman of the Board. In the event that the Chairman cannot or does not fulfill his duties, the vice chairman shall preside over the meeting, where the vice chairman cannot or does not fulfil his duties a Director nominated by half or more of the Directors shall preside over the meeting. Where the Board is unable to perform or fail to perform the duty of convening the extraordinary general meeting, the Supervisory Committee may convene and preside over shareholders' general meeting in a timely manner. If the Supervisory Committee fails to convene and preside over shareholders' general meeting, Shareholders individually or in aggregate holding 10% or more of the Company's Shares for 90 days or more consecutively may unilaterally convene and preside over shareholders' general meeting.

Putting Forward Proposals at General Meetings

A single Shareholder who holds, or several shareholders who jointly hold, 3% or more of the Shares of the Company may submit an interim proposal in writing to the Board 10 days before the general meeting is held. The Board shall notify other Shareholders within 2 days upon receipt of the proposal, and submit the said interim proposal to the general meeting for deliberation. The contents of the interim proposal shall fall with the scope of powers of the general meeting, and the proposal shall have a clear agenda and specific matters on which resolutions are to be made.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board of the Company, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address:	Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong (For the attention of the Board of Directors/Company Secretary)
Fax:	+86(21) 50463093
Email:	ir@wuxiapptec.com

For the avoidance of doubt, Shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. For this purpose, the Company has set up a website (www.wuxiapptec.com.cn), where relevant latest information, the up-to-date state of the Company's business operation and development, the Company's financial information and corporate governance practices and other data are available to the public.

The Company endeavours to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting, Directors (or their delegates as appropriate) are available to meet Shareholders and answer their enquiries.

During the year ended December 31, 2020, the Company has amended its Articles of Association. An up-to-date version of the Company's Articles of Association is also available on the Company's website and the Stock Exchange's website.

Policies relating to Shareholders

The Company has in place a shareholders' communication policy to ensure that Shareholders' views and concerns are appropriately addressed. The policy is regularly reviewed to ensure its effectiveness.

Dividend Policy

The Company has adopted a policy on payment of dividends pursuant to code provision E.1.5 of the CG Code taking into consideration of various elements including but not limited to the Company's strategic development objectives, operation plan, profitability, cash flow and financing. The policy sets out the factors in consideration, procedures, methods and intervals of the payment of dividends with an objective to provide the shareholders with continuing, stable and reasonable returns on investment while maintaining the Company's business operation and achieving its long-term development goal.

The Board is pleased to present this annual report together with the audited consolidated financial statements of the Group for the Reporting Period.

PRINCIPAL ACTIVITIES

The Company is 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 Company completed its initial public offering and listing of 104,198,556 A Shares on The Shanghai Stock Exchange (stock code: 603259.SH) on May 8, 2018. The Company completed its public offering and listing of 116,474,200 H Shares on the Main Board of the Hong Kong Stock Exchange, (stock code: HK 2359) on December 13, 2018. The Group is a leading global pharmaceutical R&D services platform transforming the business of discovery, development and manufacturing of innovative pharmaceuticals.

The activities and particulars of the Company's principal subsidiaries are shown under Note 51 to the consolidated financial statements. An analysis of the Group's revenue and operating profit for the year by principal activities is set out in the section headed "Management Discussion and Analysis" in this annual report and Note 5 to the consolidated financial statements.

BUSINESS REVIEW

A review of the Group's business during the year, which includes a discussion of the principal risks and uncertainties faced by the Group, an analysis of the Group's performance using financial key performance indicators, particulars of important events affecting the Group during the year, and an indication of likely future developments in the Group's business, could be found in the sections headed "Chairman's Statement", "Management Discussion and Analysis" and "Corporate Governance Report" in this annual report. The review and discussion form part of this Directors' report.

RESULTS AND DIVIDEND

The consolidated results of the Group for the Reporting Period are set out on pages 125 to 277 of this annual report.

Subsequent to the end of the Reporting Period, the Board 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 RMB889,537,206.36 (2019: RMB556,429,640.95) (inclusive of tax) based on the total issued share capital of the Company as at March 30, 2021, 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).

FINANCIAL SUMMARY

A summary of the published results, assets and liabilities of the Group for the last five financial years is set out on page 43 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property and equipment of the Group during the Reporting Period are set out in Note 16 to the consolidated financial statements on pages 187 to 188 of this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is highly aware of the importance of environment protection and has not noted any material in compliance with all relevant laws and regulations in relation to its business including health and safety, workplace conditions, employment and the environment. The Group has implemented environmental protection measures and has also encouraged staff to be environmental friendly at work by consuming the electricity and paper according to actual needs, so as to reduce energy consumption and minimize unnecessary waste. Further details of the Group's environmental policies and performance will be disclosed in the environmental, social and governance report of the Company for the Reporting Period to be published in due course.

SHARE CAPITAL

Details of the movements in share capital of the Company during the Reporting Period are set out in Note 41 to the consolidated financial statements on page 219 to 220 of this annual report.

RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 129 to 130 of this annual report. Details of the movement in the reserves of the Company during the Reporting Period is set out in Note 52 to the consolidated financial statements on pages 274 to 276 of this annual report.

DISTRIBUTABLE RESERVES

As at December 31, 2020, the Company's distributable reserves, calculated in accordance with PRC rules and regulation, were RMB900.5 million.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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; (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.

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.

USE OF NET PROCEEDS FROM THE A SHARE LISTING

The total net proceeds from the issue of A Shares by the Company in its A Share Listing amounted to approximately RMB2,130.3 million and the balance of unutilized net proceeds of A Share Listing is approximately RMB741.4 million as at the year ended December 31, 2020.

The net proceeds from the A Share Listing have been and will be utilized in accordance with the purpose set out in the A Share Prospectus. The table below sets out the planned applications of the net proceeds from A Share Listing and actual usage up to the year ended December 31, 2020:

Use of proceeds from the A Share Listing	Percentage of net proceeds from the A Share Listing	Allocation of net proceeds as disclosed in the A Share Prospectus (RMB million)	Balance of the utilized amount (as at the year ended December 31, 2020) (RMB million)	Balance of the unutilized amount (as at the year ended December 31, 2020) (RMB million)	Actual and expected timeline for utilizing the remaining balance of net proceeds from the A Share Listing(1)
Suzhou drug safety evaluation centre expansion project (2)	34%	727.2	237.0	490.2	Expected to be fully utilized by December 31, 2021
Tianjin chemical R&D laboratory expansion and upgrade project (3)	26%	564.0	312.7	251.3	Expected to be fully utilized by December 31, 2021
Expansion of Company's headquarter and analytical diagnostic service R&D centre (4)	9%	200.0	200.0	—	Have been fully utilized by May 31, 2018
Working capital uses	30%	639.1	639.1	—	Have been fully utilized by December 31, 2018
Total (5)	100%	2,130.3	1,388.8	741.4	

Notes:

(1) The expected timeline for utilizing the remaining proceeds is set based on the best estimation of the Company taking into account, among other factors, prevailing and future market conditions and business developments and needs, and therefore is subject to change.

(2) As at the year ended December 31, 2020, Suzhou drug safety evaluation centre expansion project is still under construction and is expected to be completed and fully utilized proceeds from the A Share Listing by December 31, 2021.

(3) As at the year ended December 31, 2020, Tianjin chemical R&D laboratory expansion and upgrade project is still under construction and is expected to be completed and fully utilized proceeds from the A Share Listing by December 31, 2021.

(4) Expansion of Company's headquarter and analytical diagnostic service R&D centre has completed as at May 31, 2018.

(5) Any discrepancies in the sum of amounts listed in the tables with the breakdown of use of net proceeds in this annual report is due to rounding.

USE OF NET PROCEEDS FROM NON-PUBLIC ISSUANCE OF A SHARES

The total net proceeds from non-public issuance of A Shares by the Company amounted to approximately RMB6,461.2 million, and the balance of unutilized net proceeds of non-public issuance of A Shares is approximately RMB3,510.8 million.

The table below sets out the planned applications of the net proceeds from non-public issuance of A Shares and the actual usage up to the year ended December 31, 2020:

Use of proceeds from non-public issuance of A Shares	Percentage of net proceeds from non-public issuance of A Shares	Allocation of net proceeds from non-public issuance of A Shares (RMB million)	Balance of the utilized amount from non-public issuance of A Shares (as at the year ended December 31, 2020) (RMB million)	Balance of the unutilized amount from non-public issuance of A Shares (as at the year ended December 31, 2020) (RMB million)	Actual and expected timeline for utilizing the remaining balance of net proceeds from the non-public issuance of A Shares[1]
Phase I new drug development services and drug manufacturing project of WuXi STA Pharmaceutical Co., Ltd.	11%	736.3	215.3	521.0	Expected to be fully utilized by August 31, 2022
Global research and development centre and ancillary facilities project of Shanghai STA Pharmaceutical Co., Ltd.	8%	491.8	236.0	255.7	Expected to be fully utilized by August 31, 2021
New drug manufacturing and research and development centre project of Changzhou SynTheAll Pharmaceutical Co., Ltd.	10%	660.6	326.1	334.5	Expected to be fully utilized by December 31, 2021
New drug manufacturing and research and development integrated project of Changzhou SynTheAll Pharmaceutical Co., Ltd.	28%	1,789.3	180.3	1,609.0	Expected to be fully utilized by August 31, 2022

Use of proceeds from non-public issuance of A Shares	Percentage of net proceeds from non-public issuance of A Shares	Allocation of net proceeds from non-public issuance of A Shares (RMB million)	Balance of the utilized amount from non-public issuance of A Shares (as at the year ended December 31, 2020) (RMB million)	Balance of the unutilized amount from non-public issuance of A Shares (as at the year ended December 31, 2020) (RMB million)	Actual and expected timeline for utilizing the remaining balance of net proceeds from the non-public issuance of A Shares[1]
Small molecule new drug manufacturing skill platform technical capability upgrade project of Shanghai STA Pharmaceutical R&D Co., Ltd.	5%	300.0	55.9	244.1	Expected to be fully utilized by September 30, 2022
Research and development platform technical capability upgrade project of WuXi AppTec (Shanghai) Co., Ltd.	9%	600.0	61.1	538.9	Expected to be fully utilized by September 30, 2022
Replenishing the working capital of the Company[2]	29%	1,883.3	1,875.7	7.6	NA
Total[3]	100%	6,461.2	2,950.5	3,510.8	

Notes:

(1) The expected timeline for utilizing the remaining proceeds is set based on the best estimation of the Company taking into account, among other factors, prevailing and future market conditions and business developments and needs, and therefore is subject to change.

(2) Replenishing the working capital is related to all the business activities of the company, so the expected timeline of fully utilized is not estimated separately.

(3) Any discrepancies in the sum of amounts listed in the tables with the breakdown of use of net proceeds in this annual report is due to rounding.

USE OF NET PROCEEDS FROM THE H SHARE LISTING

The total net proceeds from the issue of H Shares by the Company in its Listing (after deducting the underwriting fees and related Listing expenses) amounted to approximately RMB7,032.6 million[1], and the balance of unutilized net proceeds of approximately RMB649.8 million as at the year ended December 31, 2020.

The net proceeds from the Listing (adjusted on a pro rata basis based on the actual net proceeds) have been and will be utilized in accordance with the purposes set out in the Prospectus. The table below sets out the planned applications of the net proceeds and actual usage up to the year ended December 31, 2020:

Use of proceeds from the IPO of H Shares	Percentage of net proceeds from the IPO of H Shares	Original allocation of net proceeds from the IPO of H Shares (HKD million)	Original allocation of net proceeds from the IPO of H Shares (RMB million)	Revised allocation of net proceeds from the IPO of H Shares (RMB million)	Balance of utilized amount from the IPO of H Shares (as at the year ended December 31, 2020) (RMB million)	Balance of unutilized amount from the IPO of H Shares (as at the year ended December 31, 2020) (RMB million)	Actual and expected timeline for utilizing the remaining balance of net proceeds from the IPO of H Shares[2]
To expand our capacity and capabilities across all business units globally	37%	2,798.0	2,462.2	2,602.1	1,952.3	649.8	
— invest in PRC projects[3]	22%	1,663.1	1,463.5	1,547.2	1,389.1	158.1	Expected to be fully utilized by December 31, 2021
— invest in U.S. projects[4]	8%	570.1	501.7	562.6	562.6	—	Have been fully utilized as of December 31, 2020
— invest in Lingang Shanghai project[5]	7%	564.8	497.0	492.3	0.6	491.7	Expected to be fully utilized by December 31, 2022
To fund the acquisition of CRO and CDMO companies	27%	2,000.0	1,759.9	1,863.6	1,863.6	—	Have been fully utilized as of December 31, 2019
To invest in our ecosystem	4%	300.0	264.0	281.3	281.3	—	Have been fully utilized as of June 30, 2019
To develop cutting-edge technology[6]	3%	200.0	176.0	182.8	182.8	—	Have been fully utilized as of December 31, 2020
To repay our bank loans	20%	1,500.0	1,320.0	1,399.5	1,399.5	—	Have been fully utilized as of December 31, 2018
Working capital and general corporate uses	10%	755.3	664.6	703.3	703.3	—	Have been fully utilized as of June 30, 2019
Total[7]	100%	7,553.3	6,646.7	7,032.6	6,382.8	649.8	

Notes:

(1) The total proceeds included approximately RMB6,969.6 million from the Global Offering in December 2018 and RMB316.3 million from the partial exercise of over-allotment option in January 2019 as disclosed in the announcement of the Company dated January 6, 2019. By excluding the underwriting fees and commissions and estimated expenses payable by the Company, the net proceeds planned for applications amount to approximately RMB7,032.6 million. Net IPO proceeds were received in Hong Kong dollar and translated to Renminbi for application planning. The plan was adjusted slightly due to the fluctuation of the foreign exchange rates since the Listing.

(2) The expected timeline for utilizing the remaining proceeds is set based on the best estimation of the Company taking into account, among other factors, prevailing and future market conditions and business developments and needs, and therefore is subject to change.

(3) Invest in seven PRC projects, including establishment of the Chengdu R&D campus, a manufacturing facility for viral vectors and plasmid DNA used in cell and gene therapy products in Wuxi, and a chemistry and biology labs in Qidong, Jiangsu Province, as well as development of nation-wide clinical trial sites and expansion of our SMO clinical research platform. As at December 31, 2020, 89.8% allocated net proceeds for the seven PRC projects have been utilized.

(4) Invest in U.S. projects, including setting up a bioanalytical laboratory in San Diego, California and a cGMP manufacturing facility for commercialized cell and gene therapy products in the U.S. As at December 31, 2020, allocated net proceeds for US projects have been fully utilized.

(5) Invest in Lingang Shanghai project, including building an innovation center in Lingang Shanghai of gene therapy product development services and enlarge services, replacing the original Hong Kong project of building a cell and gene therapy research laboratory. At the same time to extend the expected timeline of fully utilizing net proceeds on Lingang Shanghai project to December 31, 2022. As at December 31, 2020, 0.1% allocated net proceeds have been utilized.

(6) Invest in developing cutting-edge technology, including AI-empowered drug discovery platform and lab automation, healthcare data platform and robotic chemistry capability. As at December 31, 2020, allocated net proceeds for developing cutting-edge technology have been fully utilized.

(7) Any discrepancies in the sum of amounts listed in the tables with the breakdown of use of net proceeds in this annual report is due to rounding.

USE OF NET PROCEEDS FROM THE PLACING OF NEW H SHARES

The total net proceeds from the placing of new H Shares by the Company which completed on August 5, 2020 (after deducting the underwriting fees and related Listing expenses) amounted to approximately RMB6,558.6 million, and the balance of unutilized net proceeds was approximately RMB4,442.4 million as at the year ended December 31, 2020.

The table below sets out the planned applications of the net proceeds from the placing of new H Shares and the actual usage up to December 31, 2020:

Use of proceeds from the placing of new H Shares	Percentage of net proceeds from the placing of H Shares	Allocation of net proceeds from the placing of new H Shares (HKD million)	Allocation of net proceeds from the placing of new H Shares (RMB million)	Balance of utilized amount from the placing of new H Shares (as at December 31, 2020) (RMB million)	Balance of unutilized amount from the placing of new H Shares (as at December 31, 2020) (RMB million)	Actual and expected timeline for utilizing the remaining balance of net proceeds from the placing of new H Shares[1]
Mergers and acquisitions including, but not limited to, expansion of the Group's presence in the US, Europe and Asia Pacific[2]	35%	2,550.5	2,295.5	185.3	2,110.2	Expected to be fully utilized by December 31, 2023
Expansion of the Group's overseas operation	20%	1,457.5	1,311.7	155.4	1,156.3	Expected to be fully utilized by December 31, 2023
Construction of Changshu R&D Integrated Project	15%	1,093.1	983.8	113.2	870.6	Expected to be fully utilized by December 31, 2023
Repaying bank loans and other borrowings[3]	10%	728.7	655.9	655.9	—	Have been fully utilized as of December 31, 2020
Replenish the working capital of the Company[4]	20%	1,457.5	1,311.7	1,006.4	305.3	NA
Total[5]	100%	7,287.3	6,558.6	2,116.2	4,442.4	

Notes:

(1) The expected timeline for utilizing the remaining proceeds is set based on the best estimation of the Company taking into account, among other factors, prevailing and future market conditions and business developments and needs, and therefore is subject to change.

(2) Use of proceeds for mergers and acquisitions project is due primarily to the merger of Nanjing Milestone Pharma Co. Ltd. and Shanghai Milestone Pharma Co. Ltd. during the Reporting Period.

(3) Use of proceeds for repaying bank loans and other borrowings have been fully utilized as of December 31, 2020.

(4) Replenishing the working capital is related to all the business activities of the company, so the expected timeline of fully utilized is not estimated separately.

(5) Any discrepancies in the sum of amounts listed in the tables with the breakdown of use of net proceeds in this annual report is due to rounding.

THE CONVERTIBLE BONDS

On September 17, 2019, the Company issued US$300 million zero coupon convertible bonds due 2024, convertible at the option of the holders thereof into fully paid ordinary H Shares of the Company of par value RMB1.0 each at the initial Conversion Price of HK$111.80 per H Share. The net proceeds from the subscription of the Convertible Bonds, after the deduction of fees, commissions and expenses payable, were approximately US$294 million (approximately RMB2,079.5 million based on an exchange rate of 7.073 as at the issue date).

Pursuant to the terms and conditions of the Convertible 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 Convertible 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.

The Convertible Bonds are convertible into a maximum of 29,469,881 H Shares (assuming full conversion of the Convertible Bonds at the adjusted conversion price of HK$79.85 per H Share).

There had not been any redemption or conversion of the Convertible Bonds during the Reporting Period.

The following table sets out the shareholding structure of the Company upon full conversion of the Convertible Bonds with reference to the shareholding structure of the Company as at December 31, 2020 and assuming no further issuance of Shares by the Company:

		As at December 31, 2020		Upon full conversion of the Convertible Bonds at the adjusted conversion price of HK$79.85 per H Share	
Shareholder	**Class of Shares**	**Number of Shares**	**Approximate percentage of the total issued share capital**	Number of Shares	Approximate percentage of the total issued share capital
The Founding Individuals	A	**633,784,587**	**25.96%**	633,784,587	25.65%
Sub-total		**633,784,587**	**25.96%**	633,784,587	25.65%
Public Shareholders	A	**1,500,975,850**	**61.47%**	1,500,975,850	60.74%
	H	**306,924,384**	**12.57%**	306,924,384	12.42%
Subscribers of the Convertible Bonds	H	**—**	**—**	29,469,881	1.19%
Sub-total		**1,807,900,234**	**74.04%**	1,837,370,115	74.35%
Total		**2,441,684,821**	**100.00%**	2,471,154,702	100.00%

Note:

The approximate percentages of (i) the A Shares; (ii) the H Shares; and (iii) the total issued share capital are rounded to the nearest two decimal places and may not add up to 100% due to rounding.

For principal terms of the Convertible Bonds, please refer to the relevant announcements dated September 3, 2019, September 4, 2019, September 5, 2019 and September 17, 2019 published by the Company on the websites of the Shanghai Stock Exchange and the Stock Exchange. For the adjustment of conversion price, please refer to the announcement dated June 3, 2020 published by the Company on website of the Stock Exchange. An analysis of the impact on the earnings per share if the Convertible Bonds were fully converted into H Shares of the Company as at December 31, 2020 is set out in Note 14 to the financial statements in this annual report.

The Board considers that the issuance of the convertible bonds represents an opportunity to obtain a pool of readily available funds that can better support business expansion of the Company in long run.

Use of Net Proceeds from the Issuance of the Convertible Bonds

The net proceeds from the Subscription of the Convertible Bonds have been utilized in accordance with the purposes set out in the paragraph headed "Use of Proceeds" of the Company's announcement dated September 4, 2019. The table below sets out the applications of the net proceeds and actual usage up to the year ended December 31, 2020:

Use of proceeds	Percentage of net proceeds from the Subscription of the Convertible Bonds (%)	Balance of utilized amount (as at the year ended December 31, 2020) (RMB million)	Balance of unutilized amount (as at the year ended December 31, 2020) (RMB million)	Expected timeline for utilizing the remaining balance of net proceeds from the Subscription of the Convertible Bonds
Mergers and acquisitions and Business expansion	74%	1,547.1	—	Have been fully utilized as at December 31, 2020
Working capital and general corporate purposes	26%	532.3	—	Have been fully utilized as at December 31, 2020
Total	100%	2,079.5	—	

Note:

Certain amounts set out in the table above have been subject to rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.

DIRECTORS

The Board currently consists of the following 12 Directors:

Executive Directors

Dr. Ge Li (李革) *(Chairman and chief executive officer)*
Mr. Edward Hu (胡正國) *(Vice chairman and global chief investment officer)*
Dr. Steve Qing Yang (楊青) *(Co-chief executive officer)*
Mr. Zhaohui Zhang (張朝暉)
Dr. Ning Zhao (趙寧)

Non-executive Directors

Mr. Xiaomeng Tong (童小幪)
Dr. Yibing Wu (吳亦兵)

Independent Non-executive Directors

Dr. Jiangnan Cai (蔡江南)
Ms. Yan Liu (劉艷)
Mr. Dai Feng (馮岱)
Dr. Hetong Lou (婁賀統)
Mr. Xiaotong Zhang (張曉彤)

SUPERVISORS

The Company currently has the following 3 Supervisors:

Mr. Harry Liang He (賀亮)
Mr. Baiyang Wu (吳柏楊)
Ms. Minfang Zhu (朱敏芳)

BIOGRAPHICAL DETAILS OF THE DIRECTORS, THE SUPERVISORS AND THE SENIOR MANAGEMENT

Biographical details of the Directors, the Supervisors and the senior management of the Group as at the date of this annual report are set out on pages 44 to 57 in the section headed "Profiles of Directors, Supervisors and Senior Management" of this annual report.

CHANGE OF INFORMATION OF DIRECTORS AND SUPERVISORS

Changes in information of the Directors since the publication of the interim report of the Company for the six months ended June 30, 2020, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out below:

(1) Mr. Edward Hu ceased to be a director of Viela Bio Inc. in March 2021, a company listed on NASDAQ (stock code: VIE).

(2) Dr. Ning Zhao ceased to be the member of the Remuneration and Appraisal Committee of the Company with effect from March 30, 2021.

(3) Dr. Jiangnan Cai was appointed as the member of the Audit Committee of the Company with effect from March 30, 2021.

(4) Ms. Yan Liu ceased to be the member of the Audit Committee of the Company with effect from March 30, 2021.

(5) Mr. Dai Feng was appointed as the member of the Remuneration and Appraisal Committee of the Company with effect from March 30, 2021.

(6) Dr. Hetong Lou ceased to be the independent director of Shanghai LongYun Media Group Co., Ltd (上海龍韻傳媒集團股份有限公司) in November 2020, a company listed on the Shanghai Stock Exchange (stock code: 603729).

(7) The English translation of the name of one of our Supervisors, Mr. Baiyang Wu (吳柏楊), which is for identification purposes only, has been changed from "Boyang Wu" to "Baiyang Wu".

Save as disclosed above, there is no other information which was required to be disclosed by Directors and Supervisors pursuant to Rule 13.51B(1) of the Listing Rules.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company, under which they agreed to act as executive Directors for an initial term of three years commencing from March 1, 2017, which may be terminated by not less than 90 days' notice in writing served by either the executive Director or the Company.

Each of the non-executive Directors and the independent non-executive Directors has signed an appointment letter with the Company until the expiry of the second session of the Board, which may be terminated by not less than three months' notice in writing served by either of the Director or the Company. Under the respective appointment letters, each of the independent non-executive Directors is entitled to a fixed Director's fee while non-executive Directors' remuneration, if any, is subject to the adjustment of the Board and the Remuneration and Appraisal Committee from time to time.

Each of the Supervisors has signed an appointment letter with the Company until the expiry of the second session of Supervisory Committee, which may be terminated by not less than three months' notice in writing served by either of the Supervisor or the Company.

The appointments of the Directors and Supervisors are subject to the re-election upon expiry of their term of office according to the Articles of Association.

Save as disclosed above, none of the Directors or Supervisors has entered into any service contract with the Company or any of its subsidiaries (excluding contracts expiring or determinable by the Company within one year without payment of compensation, other than statutory compensation).

CONTRACT WITH CONTROLLING SHAREHOLDERS

Upon the Listing of the Company on the Hong Kong Stock Exchange, the Founding Individuals ceased to be controlling Shareholders (as defined in the Listing Rules) of the Company. Save for the STA Equity Transfer Agreement, no contract of significance was entered into between the Company or any of its subsidiaries and the Founding Individuals or any of its subsidiaries during the Reporting Period or subsisted at the end of the year and no contract of significance for the provision of services to the Company or any of its subsidiaries by a Founding Individual or any of its subsidiaries was entered into during the Reporting Period or subsisted at the end of the year.

DIRECTORS' AND SUPERVISORS' INTERESTS IN TRANSACTIONS, ARRANGEMENT OR CONTRACT OF SIGNIFICANCE

No transaction, arrangement and contract of significance to the business of the Group which the Company or any of its subsidiaries was a party, and in which a Director/Supervisor or any entity connected with such a Director/Supervisor had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the Reporting Period.

COMPENSATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The emoluments of the Directors, Supervisors and senior management of the Group are decided by the Board with reference to the recommendation given by the Remuneration and Appraisal Committee, having regard to the Group's operating results, individual performance and comparable market statistics.

Details of the Directors' emoluments and emoluments of the five highest paid individuals in the Group are set out in Note 13 to the consolidated financial statements on pages 182 to 184 of this annual report.

For the Reporting Period, no emoluments were paid by the Group to any Director, Supervisors or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors or Supervisors has waived any emoluments for the year ended December 31, 2020.

Except as disclosed above, no other payments have been made or are payable, for the year ended December 31, 2020, by our Group to or on behalf of any of the Directors.

DIRECTORS' AND SUPERVISORS' INTERESTS IN COMPETING BUSINESS

During the year, none of the Directors and Supervisors or their respective close associates (as defined in the Listing Rules) had any interest in a business that competed or was likely to compete, either directly or indirectly, with the business of the Group, other than being a Director of the Company and/or its subsidiaries.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

Save as disclosed in this annual report, the Company does not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

NON-COMPETITION ARRANGEMENTS

Each of the Founding Individuals provided certain non-competition undertakings in favor of the Company, pursuant to which the said parties have given certain non-competition undertakings to the Company. Details of the non-competition agreements are set out in the section headed "Relationship with our Founding Individuals — Non-Competition Arrangements" in the Prospectus.

The Founding Individuals confirmed that they have complied with the non-competition undertakings for the Reporting Period. The independent non-executive Directors have conducted such review for the Reporting Period and also reviewed the relevant undertakings and are satisfied that the noncompetition undertakings have been fully complied with.

MANAGEMENT CONTRACTS

Other than the Directors' and Supervisors' service contracts and appointment letters, no contract concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or in existence as at the end of the year or at any time during the Reporting Period.

EQUITY-LINKED AGREEMENTS

During the Reporting Period, other than (i) the share incentive arrangements as set out in the section under "Share Incentive Schemes" set out on pages 89 to 106 and Note 45 to the consolidated financial statements on pages 238 to 257 of this annual report; (ii) the issuance of the Bonds; and (iii) the placing of New H Shares and non-public issuance of A Shares, the Company has not entered into any equity-linked agreement.

MATERIAL LEGAL PROCEEDINGS

The Group was not involved in any material legal proceeding during the Reporting Period.

LOAN AND GUARANTEE

During the Reporting Period, the Group had not made any loan or provided any guarantee for loan, directly or indirectly, to the Directors, Supervisors and senior management of the Company, the controlling shareholders of the Company (if any) or their respective connected persons.

SHARE INCENTIVE SCHEMES

The Group's share incentive schemes effective during the Reporting Period are as follows.

1. 2019 A Share Incentive Plan

In order to establish and improve the long-term incentive mechanism of the Company, attract and retain talents, fully motivate the core personnel of the Company and effectively integrate the interests of the Shareholders, the Company and core team members so that the parties will make joint efforts for the sustainable development of the Company, on September 20, 2019, the Shareholders' meeting of the Company passed a resolution to approve the adoption of the 2019 A Share Incentive Plan, pursuant to which the Company may issue up 21,055,530 units of Restricted A Shares or Share Options of the Company and of which (i) 13,657,803 Restricted A Shares and 5,292,174 Share Options, representing 90% of the total interests to be granted under the 2019 A Share Incentive Plan were granted under the initial grant ("**Initial Grant**"); and (ii) the remaining 2,105,553 Restricted A Shares or Share Options were reserved for future distribution.

As at the date of this annual report, the total number of Shares available for issue under the 2019 A Share Incentive Plan was 6,296,640 (options had been granted and were outstanding), representing approximately 0.26% of the Shares in issue.

Amongst the Initial Grant, 124,443 Restricted A Shares were granted as special grant (the "**Special Grant**") and are subject to different conditions and restrictions. As disclosed in the Company's announcement dated November 25, 2019, due to the departure of 67 incentive participants, the total participants of the 2019 A Share Incentive Plan was adjusted from 2,534 to 2,467; the number of Restricted A Shares granted under the Initial Grant was adjusted from 13,657,803 to 13,400,273 while the number of units of Share Options was changed from 5,292,174 to 5,039,904. As 43 and 5 incentive participants did not subscribe for the Restricted A Shares and Share Options granted under the Initial Grant, a total of 12,942,744 Restricted A Shares were granted to 1,965 incentive participants and a total of 5,014,854 Share Options were granted to 455 incentive participants under the 2019 A Share Incentive Plan as at December 31, 2019. A total of 427,000 Restricted A Shares were granted to 18 incentive participants and a total of 29,131 Share Options were granted to 1 incentive participant under the 2019 A Share Incentive Plan as at September 17, 2020.

The incentive participants under the 2019 A Share Incentive Plan include the Directors, senior management, middle management and other technical and management key personnel of the Company. The total number of units to be granted under the 2019 A Share Incentive Plan to any one of the incentive participants will not exceed 1% of the Company's total share capital as at the date on which the plan was proposed to the general meeting. Further, under the Listing Rules, unless otherwise approved by the Shareholders, no incentive participant shall be granted Share Option if the total number of A Shares issued and to be issued upon exercise of the Share Options (including exercised, cancelled and outstanding Share Options) granted and to be granted to such incentive participant in any 12-month period up to the date of the latest grant would exceed 1% of the outstanding A Shares of the Company in issue from time to time.

The validity period of the 2019 A Share Incentive Plan shall commence from the date of Initial Grant of the Restricted A Shares to the date on which all the Restricted A Shares granted are unlocked or repurchased and cancelled and all the Share Options are exercised or otherwise cancelled subject to a maximum of 66 months.

The Initial Grant of the Share Option is valid from the date on which the Share Options is granted under the Initial Grant to the date on which all the options granted to the participants under the Initial Grant have been vested or cancelled, but in any event shall not be more than 54 months. The withholding period of each tranche of the Share Options granted under the Initial Grant shall be 18, 30 and 42 months from the date of the Initial Grant, respectively. Subject to fulfillment of the conditions as set out in the rules of the 2019 A Share Incentive Plan, the vesting periods (each a "Vesting Period") and arrangements of each tranche of the Share Options granted under the Initial Grant are as follows:

	Vesting Period	Proportion of Vesting
First Vesting Period	From the first trading day after 18 months from the date of the Initial Grant to the last trading day within 30 months from the date of the Initial Grant	40%
Second Vesting Period	From the first trading day after 30 months from the date of the Initial Grant to the last trading day within 42 months from the date of the Initial Grant	30%
Third Vesting Period	From the first trading day after 42 months from the date of the Initial Grant to the last trading day within 54 months from the date of the Initial Grant	30%

The validity period of the Share Options under the Reserved Grant shall be from the date of grant of the Share Options under the Reserved Grant to the date on which the reserved Shares Options granted to the participants are all exercised or otherwise cancelled, which shall not be longer than 54 months. The conditions for the grant of the reserved interests, the unlocking and exercise of the reserved Restricted A Shares and reserved Share Options shall follow that of Share Options granted under the Initial Grant, in addition to certain performance indicators as set out in the rules of the 2019 WuXi AppTec A Share Incentive Plan. The Vesting Periods and arrangements of each tranche of the reserved Share Options granted under the Reserved Grant are as follows:

	Vesting Period	Proportion of Vesting
First Vesting Period	From the first trading day after 18 months from the date of the Reserved Grant to the last trading day within 30 months from the date of the Reserved Grant	40%
Second Vesting Period	From the first trading day after 30 months from the date of the Reserved Grant to the last trading day within 42 months from the date of the Reserved Grant	30%
Third Vesting Period	From the first trading day after 42 months from the date of the Reserved Grant to the last trading day within 54 months from the date of the Reserved Grant	30%

Such options shall only be exercised by the participants within the Vesting Period.

The exercise price of the Share Options under the Initial Grant is RMB64.88 per Share and shall not be lower than the par value of the Shares, and shall not be lower than the highest of the following:

(1) the average trading price of the Company's A Shares on the trading day preceding the date of announcement of the 2019 A Share Incentive Plan (total trading amount/total trading volume on the preceding trading day), i.e. RMB64.88 per Share;

(2) the average trading price of the Company's A Shares for the last 60 trading days preceding the date of announcement of the 2019 A Share Incentive Plan (total trading amount for the last 60 trading days/total trading volume traded on the last 60 trading days), i.e. RMB60.56 per Share.

The exercise price of the Share Options under the Initial Grant has been adjusted from RMB64.88 to RMB46.34 as a result of the 2019 Profit Distribution and 2019 Capitalization of Reserve approved by the Shareholders at the 2019 annual general meeting of the Company with effect from June 4, 2020.

The exercise price of the Share Options under the Reserved Grant is RMB81.17 and shall not be lower than the par value of the A Shares, and shall be the higher of the following:

(1) the average trading price of the A Shares of the Company for the last trading day preceding the date of announcement of the board resolution on the Reserved Grant under the 2019 A Share Incentive Plan (total trading amount/total trading volume on the preceding trading day);

(2) the average trading price of the A Shares of the Company for the last 20, 60 or 120 trading days preceding the date of announcement of the board resolution on the Reserved Grant under the 2019 A Share Incentive Plan (total trading amount for the last 20, 60 or 120 trading days/total trading volume traded on the last 20, 60 or 120 trading days).

Fair value of the Share Options

The Company selected the Black-Scholes Model to calculate the fair value of Share Options under the Initial Grant, the specific calculating methods and results of fair value of each Share Option are as follows:

The fair value and corresponding inputs into the model were as follows:

	Share Options Granted under the Initial Grant under the 2019 A Share Incentive Plan
Grant date A Share price (RMB)	89.90
Subscribe price (RMB)	64.88
Expected volatility	43.44%–45.85%
Expected life (years)	1.5–4.5
Risk-free interest rate	2.81%–2.91%
Dividend yield rate	0.95%

Share Options were accounted as equity-settled share-based transactions. The accounting policy is set out in the significant accounting policies on page 167 of this annual report.

Initial Grant

On November 25, 2019, 13,400,273 Restricted A Shares (inclusive of 124,443 Restricted A Shares under the Special Grant) were approved for 2,008 eligible employees including a Director to subscribe at the price of RMB32.44 per A Share and 5,039,904 Share Options were granted to 460 eligible employees with an exercise of RMB64.88.

On December 31, 2019, 12,942,744 A Shares (inclusive of 124,443 Restricted A Shares under the Special Grant) were subscribed by the Director of the Company and eligible employees and RMB419,975,559.80 consideration were received by the Company. These granted Restricted A Shares (except for those granted under the Special Grant) have a contractual term of no more than 66 months and unlock over a three-year period, with 40%, 30% and 30% of the awards unlocking on the first, second and third anniversary date of the A Shares registration date upon meeting certain annual performance conditions. The Restricted A Shares granted under the Special Grant has a contractual term of no more than 66 months and unlock over a four-year period, with 20%, 20%, 20% and 40% of the awards unlocking from the Registration Date to February 28, 2021, February 28, 2022, February 28, 2023, February 29, 2024. The "Proposal on the Adjustment to the Repurchase Number and Repurchase Price of Restricted A Shares granted under the Initial Grant and Adjustment to the Exercise Price and Number of 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. Following the implementation of the 2019 Profit Distribution Plan, capitalize 4 ordinary shares for every 10 shares by way of capitalization of reserve and pursuant to the relevant adjustment mechanism of the 2019 A Share Incentive Plan, the repurchase number of the Restricted A Shares granted under the 2019 Initial Grant shall be adjusted to 357,379 Restricted A Shares and the repurchase price of the Restricted A Shares granted under the 2019 Initial Grant shall be adjusted to RMB22.95 per A Share. The Share Options granted under the Initial Grant shall be adjusted to 7,020,795 units at the exercise price of RMB46.34 per unit. Please refer to the relevant announcement of the Company dated June 10, 2020 for further details.

Reserved Grant

Following the implementation of the 2019 Profit Distribution Plan on June 4, 2020 where 4 ordinary Shares were issued for every 10 Shares by way of capitalization of reserve and pursuant to the relevant adjustment mechanism of the 2019 A Share Incentive Plan, on June 10, 2020, the Board has resolved to (i) adjusted the number of reserve interests under the 2019 A Share Incentive Plan from 2,105,553 units to 2,947,774 units; and (ii) grant 427,000 Restricted A Shares to 18 incentive participants; and 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 Reserved Grant shall be RMB40.59 per A Share and the exercise price of the reserved Share Options to be granted under the Reserved Grant shall be RMB81.17 per A share. The number of reserve interests under the 2019 A Share Incentive Plan shall be adjusted from 2,105,553 units to 2,947,774 units. Please refer to the relevant announcement of the Company dated June 10, 2020 for further details.

As at December 31, 2020, a total of 6,296,640 options were outstanding under the 2019 A Share Incentive Plan and all options granted thereunder have not been exercised, cancelled or lapsed.

Set out below are details of the movements of the outstanding Restricted A Shares and Share Option granted under the 2019 A Share Incentive Plan throughout the Reporting Period.

	Outstanding at January 1, 2020	Granted during the year	Unlocked and commence trading during the year	Cancelled during the year	Capitalization during the year	Outstanding at December 31, 2020
Restricted A Shares						
Directors						
Mr. Edward Hu	125,000	—	—	—	50,000	175,000
Ms. Wendy J. Hu (1)	19,500	—	—	—	7,800	27,300
Dr. Steve Qing Yang	115,000	—	—	—	46,000	161,000
Employees	12,683,244	383,240	—	623,609	5,073,303	17,516,178
Sub-total	**12,942,744**	**383,240**	**—**	**623,609**	**5,177,103**	**17,879,478**

	Outstanding at January 1, 2020	Granted during the year	Unlocked and commence trading during the year	Cancelled during the year	Capitalization during the year	Outstanding at December 31, 2020
Share Options						
Employees	5,014,854	29,131	—	753,286	2,005,941	6,296,640
Sub-total	5,014,854	29,131	—	753,286	2,005,941	6,296,640
Total	**17,957,598**	**412,371**	**—**	**1,376,895**	**7,183,044**	**24,176,118**

Note:

(1) Ms. Wendy J. Hu is the spouse of Mr. Edward Hu.

2. 2019 Share Appreciation Scheme

On September 20, 2019, the 2019 Share Appreciation Scheme was approved at the Shareholders' meeting. On September 30, 2019, the Company granted 2,901,172 share appreciation rights (representing approximately 0.1771% of the total share capital of the Company as at the date of the announcement of the proposed adoption of the 2019 Share Appreciation Scheme) to a total of 234 incentive participants, being not more than 234 members of the senior level management, mid-level managers and backbone members of the technicians, basic level managers and other technicians who have employment or labor service relationships with the Company or its subsidiaries overseas under the 2019 Share Appreciation Scheme at the exercise price of HK$72.00 per unit. Each of the share appreciation rights under the 2019 Share Appreciation Scheme is notionally linked to one H Share, and will confer the right to gain specified amount of benefits in cash from the increase in market price of the relevant H Shares.

As disclosed in the Company's announcement dated June 10, 2020, following the implementation of the 2019 Profit Distribution Plan on June 4, 2020, the number of share appreciation rights by the Company was adjusted from 2,901,172 units to 4,061,639 units and the exercise price was adjusted from HK$72.00 per unit to HK$51.43 per unit.

The 2019 Share Appreciation Scheme does not involve any grant of share options which will require the Company (or any of its subsidiaries) to issue any new shares or other new securities and is therefore not subject to or governed by Chapter 17 of the Listing Rules.

The 2019 Share Appreciation Scheme is valid from the date of grant of share appreciation rights to the date of completion of exercise of all share appreciation rights, which shall not be longer than 48 months. The vesting and exercise arrangement of the 2019 Share Appreciation Scheme is as follows:-

	Vesting Schedule	Exercise Period	Exercise Percentage
First batch of exercise	May 31, 2020	From June 1, 2020 to May 31, 2021	40%
Second batch of exercise	May 31, 2021	From June 1, 2021 to May 31, 2022	30%
Third batch of exercise	May 31, 2022	From June 1, 2022 to May 31, 2023	30%

Set out below are details of the movements of the outstanding units granted under the 2019 Share Appreciation Scheme throughout the Reporting Period:

	Outstanding at January 1, 2020	Cancelled before the Capitalization	Capitalization issue	Cancelled after the Capitalization	Exercised	Outstanding at December 31, 2020
2019 Share Appreciation Scheme	2,620,135	102,347	1,007,115	339,819	966,651	2,218,433

3. 2018 A Share Incentive Plan

In order to establish and improve long-term corporate incentive systems of the Company, attract and retain talent, fully mobilize the motivation of management members and technicians and effectively tying the interests of our Shareholders, the Company and the management of the Company and enabling the respective parties to become aware of the Company's long-term development, and to promote the realization of the development strategies of the Company, on August 22, 2018, the Shareholders' meeting of the Company passed a resolution to issue up to 8,856,900 A Shares of the Company under the 2018 A Share Incentive Plan. The total participants of the 2018 A Share Incentive Plan is 1,528, including the Directors, members of the senior-level management (including senior management), mid-level managers and backbone members of our technicians and basic-level managers and other technicians. On August 28, 2018, 7,085,500 Restricted A Shares of the Company were approved for a Director of the Company and eligible employees to subscribe at the price of RMB45.53 per A Share and the remaining 1,771,400 Restricted A Shares or Share Options were reserved for future distribution.

On June 3, 2019, the Shareholders' meeting approved to capitalize 4 ordinary Shares for every 10 Shares by way of capitalization of reserve and approved the distribution of RMB5.80 and for every 10 Shares based on the total issued Shares of the Company as of April 15, 2019. As a result, the number of Restricted A Shares and exercise price per share granted under the 2018 A Share Incentive Plan presented herein have been adjusted to reflect the capitalization of reserve and dividend distribution.

On May 15, 2020, the Shareholders' meeting approved to capitalize 4 ordinary Shares for every 10 Shares by way of capitalization of reserve and approved the distribution of RMB3.37 for every 10 Shares based on the total issued Shares of the Company. As a result, the number of Restricted A Shares and exercise price per share granted under the 2018 A Share Incentive Plan presented herein have been adjusted to reflect the capitalization of reserve and dividend distribution. Please refer to the announcement of the Company dated June 10, 2020 for further details.

As at the date of this annual report, the total number of Shares available for issue under the 2018 A Share Incentive Plan was 241,080 (options had been granted and were outstanding), representing approximately 0.01% of the Shares in issue.

The validity period of the 2018 A Share Incentive Plan shall commence from the date on which all the Restricted A Shares granted thereunder have been unlocked or cancelled, or all of the Share Options granted thereunder have been exercised or cancelled, subject to a maximum of 60 months.

On July 19, 2019, the reserved interests under the 2018 A Share Incentive Plan consisting a total of 542,017 Restricted A Shares and a total of 287,000 options were granted to 21 eligible employees and Mr. Ellis Bih-Hsin Chu and a member of senior management of the Company, respectively.

The Share Options granted under the 2018 A Share Incentive Plan are valid from the date of the grant to the date on which they have been unlocked, exercised or cancelled, but in any event not be more than 48 months. Subject to fulfillment of the conditions as set out in the rules of the 2018 A Share Incentive Plan, the vesting periods and arrangements of each tranche of such Share Options are as follows:

	Vesting Period	**Proportion of Vesting**
First vesting period	From the first trading day after 12 months from the date of the grant to the last trading day within 24 months from the date of the grant	40%
Second vesting period	From the first trading day after 24 months from the date of the grant to the last trading day within 36 months from the	30%
Third vesting period	From the first trading day after 36 months from the date of the grant to the last trading day within 48 months from the date of the grant	30%

Such options shall only be exercised by the Participants within the Vesting Period.

The exercise price of the Share Options under the 2018 A Share Incentive Plan is RMB64.88 and shall not be lower than the par value of the Shares, and shall not be lower than the highest of the following:

(1) the average trading price of the A Shares of the Company for the last trading day preceding the date of announcement of the board resolution on the Reserved Grant under the 2018 A Share Incentive Plan (total trading amount/total trading volume on the preceding trading day);

(2) the average trading price of the A Shares of the Company for the last 20, 60 or 120 trading days preceding the date of announcement of the board resolution on the Reserved Grant under the 2018 A Share Incentive Plan (total trading amount for the last 20, 60 or 120 trading days/total trading volume traded on the last 20, 60 or 120 trading days).

The exercise price of the share option under the 2018 A Share Incentive Plan has been adjusted from RMB64.88 to RMB46.34 as a result of the 2019 Profit Distribution and 2019 Capitalization of Reserve approved by the Shareholders at the 2019 annual general meeting of the Company with effect from June 4, 2020.

Fair value of the Share Options

The Company selected the Black-Scholes Model to calculate the fair value of Share Option under the 2018 A Share Incentive Plan.

The fair value and corresponding inputs into the model were as follows:

	Share Options Granted under the Reserved Grant under the 2018 A Share Incentive Plan
Grant date A Share price (RMB)	86.70
Subscribe price (RMB)	64.88
Expected volatility	43.23%–47.09%
Expected life (years)	2–4
Risk-free interest rate	2.70%–2.86%
Dividend yield rate	0.95%

Share Options were accounted as equity-settled share-based transactions. The accounting policy is set out in the significant accounting policies on page 167 of this annual report.

Set out below are details of the movements of the outstanding Restricted A Shares granted under the 2018 A Share Incentive Plan as at December 31, 2020:

	Outstanding at January 1, 2020	Granted during the year	Capitalization during the year	Unlocked and commence trading during the year	Cancelled during the year	Outstanding at December 31, 2020
Restricted A Shares						
Directors						
Mr. Edward Hu	127,400	—	30,576	50,960	—	107,016
Ms. Wendy J. Hu (1)	18,900	—	4,536	7,560	—	15,876
Dr. Steve Qing Yang	90,720	—	21,773	36,288	—	76,205
Employees	8,653,429	—	2,175,708	3,214,143	610,363	7,004,631
Sub-total	**8,890,449**	**—**	**2,232,593**	**3,308,951**	**610,363**	**7,203,728**

	Outstanding at January 1, 2020	Granted during the year	Capitalization during the year	Unlocked and commence trading during the year	Cancelled during the year	Outstanding at December 31, 2020
Share Options						
Mr. Ellis Bih-Hsin Chu	175,000	—	70,000	—	—	245,000
Employees	112,000	—	44,800	62,720	—	94,080
Sub-total	287,000	—	114,800	62,720	—	339,080
Total	**9,177,449**	**—**	**2,347,393**	**3,371,671**	**610,363**	**7,542,808**

Note:

(1) Ms. Wendy J. Hu is the spouse of Mr. Edward Hu.

4. STA Share Units and Options Incentive Scheme

STA, has also adopted different employee incentive schemes to provide incentives for its eligible employees including the directors (excluding independent directors), supervisors and members of the senior management, members of the mid-level management and core technicians (operation staff) since 2015. STA Group has established equity-settled share units and options incentive schemes including the (i) STA Share Option Incentive Scheme (2015); (ii) STA Overseas Employees Incentive Scheme and (iii) STA Share Option Incentive Scheme (2016). None of the eligible STA employees are the chief executives or Directors of the Company.

On September 13, 2017, the STA Shareholders' meeting approved to capitalize 20 ordinary STA Shares for every 10 STA Shares standing to the credit of the share premium account of STA ("Conversion of Capital Reserve"). In May 2017 and April 2018, the distribution of RMB10.0 and RMB3.5 for every 10 STA Shares was approved at the STA Shareholders' meetings, respectively. As a result of the Conversion of Capital Reserve and dividend adjustment, the total number of STA Shares granted under the STA Share Option Incentive Scheme (2015), STA Overseas Employees Incentive Scheme and STA Share Option Incentive Scheme (2016) to eligible employees including the directors (excluding independent directors), supervisors and members of the senior management, members of the mid-level management and core technicians (operation staff) were 16,200,000, 6,708,843 and 1,525,140, respectively. The exercise prices of the STA Shares under the STA Share Option Incentive Scheme (2015), STA Overseas Employees Incentive Scheme and STA Share Option Incentive Scheme (2016) upon the Conversion of Capital Reserve and dividend adjustment were RMB8.00, RMB1.79 and RMB8.00, respectively, which were determined by based on STA's operations, value of assets, contribution of its employees and the intended level of employee incentive to be provided as adjusted by Conversion of Capital Reserve and dividend adjustment.

Options granted under the STA Share Option Incentive Scheme (2015), STA Overseas Employees Incentive Scheme and STA Share Option Incentive Scheme (2016) shall have a contractual term of 10 years and vest over a four-year period, with 20%, 20%, 20% and 40% of total options vesting on the first, second, third and fourth anniversary date two years after the vesting commencement date upon meeting certain annual performance conditions.

Set out below are details of the movements of the outstanding units and options granted under the STA Share Units and Options Incentive Scheme throughout the Reporting Period:

STA Share Units and Options Incentive Scheme	Outstanding at January 1, 2020	Granted during the year	Exercised during the year	Cancelled during the year	Outstanding at December 31, 2020
STA Share Option Incentive Scheme (2015)	6,078,000	—	6,078,000	—	—
STA Overseas Employees Incentive Scheme — 1st batch	2,503,836	—	2,311,836	192,000	—
STA Overseas Employees Incentive Scheme — 2nd batch	186,843	—	20,800	—	166,043
STA Overseas Employees Incentive Scheme — 3rd batch	—	192,000	—	—	192,000
STA Share Option Incentive Scheme (2016) — 1st batch	274,860	—	91,620	16,200	167,040
STA Share Option Incentive Scheme (2016) — 2nd batch	316,560	—	79,140	4,284	233,136
Total	9,360,099	192,000	8,581,396	212,484	758,219
Exercisable at the end of the year	—				—
Weighted average exercise price	RMB6.21	RMB1.79	RMB6.31	RMB2.39	RMB6.03

Fair value of the options granted under the STA Share Option Incentive Scheme (2015), STA Overseas Employees Incentive Scheme and STA Share Option Incentive Scheme (2016).

The fair value of the STA shares or options granted under incentive schemes indicated below was determined using the Binomial model. These fair values and corresponding inputs into the model were as follows:

	STA Share Incentive Option Scheme (2015)	STA Overseas Employees Incentive Scheme — 1st batch	STA Overseas Employees Incentive Scheme — 2nd batch	STA Overseas Employees Incentive Scheme — 3rd batch	STA Share Option Incentive Scheme (2016) — 1st batch	STA Share Option Incentive Scheme (2016) — 2nd batch
Grant date option fair value per STA share (RMB)	6.32–10.04	20.94	37.78–41.90	42.02–42.43	47.23–48.09	109.18–111.88
Grant date STA Shares price (RMB)	25.28	25.28	48.09–49.94	50.12	69.65	132.50
Exercise price (RMB)	26.04	5.38	1.79	1.79	26.04	26.04
Expected volatility	33.48%–36.77%	42.07%	24.60%–29.75%	33.45%–37.75%	32.53%–35.30%	29.90%–34.40%
Expected life (years)	3–6	10	10	2–4	3–6	3–6
Risk-free interest rate	3.08%–3.67%	3.67%	1.58%–1.82%	0.13%–0.19%	2.61%–2.91%	3.50–3.55%

Expected volatility was determined by using the historical volatility of the comparable companies. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of behavioral considerations.

STA Share Option Incentive Scheme (2015), STA Overseas Employees Incentive Scheme and STA Share Option Incentive Scheme (2016) were accounted as equity-settled share-based transactions. The accounting policy is set out in the significant accounting policies on page 167 of this annual report.

5. STA Share Appreciation Incentive Scheme

On May 16, 2016 and July 12, 2017, STA Share Appreciation Incentive Scheme (2016) and STA Share Appreciation Incentive Scheme (2017) were approved at the STA Shareholders' meeting. As a result of the Conversion of Capital Reserve, the total number of STA units granted under the STA Share Appreciation Incentive Scheme (2016) and the STA Share Appreciation Incentive Scheme (2017) to directors (excluding independent directors), supervisors and members of the senior management and core technicians (operation staff) were 1,350,000 and 123,000 respectively. Stock appreciation rights have been awarded in units, with each unit representing the value of one STA Share. Upon the exercise of stock appreciation rights, exercising recipients will receive payments in RMB from STA, subject to any withholding tax, equal to the number of stock appreciation rights exercised times the difference between the subscription price and market price of the STA Shares on the exercise day. The exercise prices of the STA Share Appreciation Incentive Scheme (2016) and the STA Share Appreciation Incentive Scheme (2017) upon the Conversion of Capital Reserve and dividend adjustment were RMB8.00 and RMB8.00, respectively, which were determined by based on STA's operations, value of assets, contribution of its employee and the intended level of employee incentive to be provided.

Units granted under the STA Share Appreciation Incentive Scheme shall have a contractual term of 10 years and generally vest over a four-year period, with 20%, 20%, 20% and 40% of total options vesting on the first, second, third and fourth anniversary date two years after the vesting commencement date.

Set out below are details of the movements of the outstanding units granted under the STA Share Appreciation Incentive Scheme throughout the Reporting Period:

STA Share Units and Options Incentive Scheme	Outstanding at January 1, 2020	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at December 31, 2020
STA Share Appreciation Incentive Scheme (2016) — 1st batch	432,000	—	144,000	72,000	216,000
STA Share Appreciation Incentive Scheme (2016) — 2nd batch	72,000	—	18,000	—	54,000
STA Share Appreciation Incentive Scheme (2017)	36,000	—	9,000	—	27,000
Total	540,000	—	171,000	72,000	297,000
Exercisable at the end of the year	—	—	—	—	—
Weighted average exercise price	RMB8.00	N/A	RMB8.00	RMB8.00	RMB8.00

Fair value of the options granted under the STA Share Appreciation Incentive Scheme (2016) and STA Share Appreciation Incentive Scheme (2017).

The fair value of the units granted under STA Share Appreciation Incentive Scheme at each reporting date was determined using the Binomial model. These fair values and corresponding inputs into the model were as follows:

STA Share Appreciation Incentive Scheme (2016) — 1st batch	December 31, 2020	December 31, 2019
STA Share price (RMB)	**50.12**	49.9
Exercise price (RMB)	**8.00**	8.00
Expected volatility	**30.36%–39.58%**	22.67%–29.32%
Expected life (years)	**0.39–1.39**	0.39–2.39
Risk-free interest rate	**0.08–0.12%**	1.58–1.59%

STA Share Appreciation Incentive Scheme (2016) — 2nd batch and STA Appreciation Incentive Scheme (2017)	December 31, 2020	December 31, 2019
STA Share price (RMB)	**50.12**	49.9
Exercise price (RMB)	**8.00**	8.00
Expected volatility	**31.87%–38.67%**	24.60%–28.96%
Expected life (years)	**0.54–2.54**	0.54–3.54
Risk-free interest rate	**0.09-0.15%**	1.58–1.63%

STA Share Appreciation Incentive Scheme (2016) and STA Share Appreciation Incentive Scheme (2017) were accounted as cash-settled share-based transactions. The accounting policy is set out in the significant accounting policies on page 167 of this annual report.

6. H Share Award and Trust Scheme

In order to attract, motivate and retain skilled and experienced personnel to strive for the future development and expansion of the Group, the Board has considered and approved, on July 21, 2020, a resolution to adopt the H Share Award and Trust Scheme. The Scheme Limit shall be the maximum number of H Shares that will be acquired by the Trustee through on-market transactions from time to time at the prevailing market price with funds in the amount of not more than HK$700 million. The Board or the Delegatee may grant Awards to Selected Participants during the Award Period conditional upon fulfilment of terms and conditions of the Awards and performance targets as the Board or the Delegatee determines from time to time. Eligible Employee who may participate in the Scheme include 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. The Company proposes to grant Awards in an aggregate value of HK$41,923,641.00 to 12 Connected Selected Participants including, Dr. Ge Li, Mr. Edward Hu, Dr. Steve Qing Yang, Mr. Zhaohui Zhang, Dr. Ning Zhao, Mr. Ellis Bih-Hsin Chu, Mr. Minzhang Chen, Dr. Shuhui Chen, Mr. Harry Liang He, Ms. Minfang Zhu, Ms. Wendy J. Hu and Ms. Cuiping Hu. The adoption of the H Share Award and Trust Scheme and the grant of Awards to the Connected Selected Participants has been approved by the Shareholders at the EGM. Details of which are set out in the announcements of the Company dated July 21, 2020 and August 31, 2020, and the circular of the Company dated August 12, 2020.

As of the date of this annual report, 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 annual report (the "Grant"). 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 annual report. As no new Shares will be issued by the Company pursuant to the Grant, it will not result in any dilution effect on the shareholdings of existing Shareholders.

The Directors (including the independent non-executive Directors) are of the view that the grant of Awards to the Selected Participants (including the Connected Selected Participants) is conducted on normal commercial terms, and is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Selected Participants Under The Grant

There are a total of 2,444 Selected Participants under the Grant, which comprise 12 Connected Selected Participants and 2,432 Independent Selected Participants. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Independent Selected Participants are parties not connected with the Company within the meaning of the Listing Rules. The details of the Grant are set out as follows:

Name	Position	Value of the Award (Note 1)	Number of Award Shares underlying the Award	Approximate percentage to the total number of H Shares as at the date of this annual report	Approximate percentage to the total issued share capital of the Company as at the date of this annual report
Connected Selected Participants					
Dr. Ge Li	Executive Director, chairman and chief executive officer	HK$11,991,574.00	106,449 H Shares	0.0337%	0.0043%
Mr. Edward Hu	Executive Director, vice chairman and global chief investment officer	HK$5,995,787.00	53,224 H Shares	0.0169%	0.0022%
Dr. Steve Qing Yang	Executive Director, co-chief executive officer	HK$5,995,787.00	53,224 H Shares	0.0169%	0.0022%
Mr. Zhaohui Zhang	Executive Director, vice president	HK$2,664,794.00	23,655 H Shares	0.0075%	0.0010%
Dr. Ning Zhao	Executive Director, vice president	HK$2,664,794.00	23,655 H Shares	0.0075%	0.0010%
Mr. Ellis Bih-Hsin Chu	Chief financial officer	HK$2,664,794.00	23,655 H Shares	0.0075%	0.0010%
Mr. Minzhang Chen	Vice president, director of a principal subsidiary of the Company	HK$3,997,191.00	35,483 H Shares	0.0112%	0.0014%
Dr. Shuhui Chen	Vice president, Chief Scientific Officer and director of a principal subsidiary of the Company	HK$3,997,191.00	35,483 H Shares	0.0112%	0.0014%
Mr. Harry Liang He	Chairman of the Supervisory Committee	HK$888,265.00	7,885 H Shares	0.0025%	0.0003%
Ms. Minfang Zhu	Employee representative Supervisor	HK$296,088.00	2,628 H Shares	0.0008%	0.0001%

Name	Position	Value of the Award (Note 1)	Number of Award Shares underlying the Award	Approximate percentage to the total number of H Shares as at the date of this annual report	Approximate percentage to the total issued share capital of the Company as at the date of this annual report
Ms. Wendy J. Hu*	Senior director of human resources	HK$592,176.00	5,256 H Shares	0.0017%	0.0002%
Ms. Cuiping Hu	Supervisor of a principal subsidiary of the Company	HK$175,200.00	1,555 H Shares	0.0005%	0.0001%
Sub-total		HK$41,923,641.00	372,152 H Shares	0.1179%	0.0152%
Independent Selected Participants					
2,432 senior management, mid-level managers, basic-level managers, backbone members of technicians and other technicians		HK$577,664,309.00	5,126,514 H Shares	1.6241%	0.2092%
Sub-total		HK$577,664,309.00	5,126,514 H Shares	1.6241%	0.2092%
Total		**HK$619,587,950.00**	**5,498,666 H Shares**	**1.7420%**	**0.2244%**

Note 1: The number of Award Shares underlying the Award is fixed based on the number of Award Shares acquired by the Trustee through on-market transactions from time to time at prevailing market price and apportioned to the corresponding value of the relevant Award based on the volume-weighted average price at the Trustee acquired such Award Shares pursuant to the Scheme.

* Ms. Wendy J. Hu is the spouse of Mr. Edward Hu.

Vesting schedule

The Vesting Periods of the Awards under the Grant are as follows:

	Vesting Periods	Proportion of Vesting
First Vesting Period	From December 2, 2021 to December 1, 2022	25%
Second Vesting Period	From December 2, 2022 to December 1, 2023	25%
Third Vesting Period	From December 2, 2023 to December 1, 2024	25%
Fourth Vesting Period	From December 2, 2024 to December 1, 2025	25%

Vesting conditions

Vesting of the Awards under the Grant is subject to conditions of the individual performance indicators of the Selected Participants, and any other applicable vesting conditions as set out in the Award Letter.

According to the relevant performance management rules adopted by the Company, the Board or the Delegatee shall carry out annual comprehensive appraisal on the Selected Participants and determine the actual vesting amount of the Awards granted under the Scheme accordingly. The actual vesting amount of the Award granted to a Selected Participant for the respective Vesting Periods shall be equal to the standard coefficient × the planned vesting amount for the respective Vesting Periods. The coefficient for individual performance appraisal results of grade B (or its equivalent appraisal result such as "meets expectations") or above is 100% whereas the coefficient for individual performance appraisal results below grade B is 0. If the Selected Participant fails to fulfil such individual performance indicators, all the Award Shares underlying the relevant Awards which may otherwise be vested during the respective Vesting Periods shall not be vested and shall be held by the Trustee as Returned Shares.

For further details on the vesting conditions of the Awards, please refer to the section headed "II. Proposed Adoption of the H Share Award and Trust Scheme — Vesting of the Awards — Vesting Conditions" in the circular of the Company dated August 12, 2020.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at December 31, 2020, the interests or short positions of the Directors, Supervisors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Interest in Shares or Underlying Shares of our Company

Name of Director and Chief Executive	Nature of Interest	Number and class of shares interested(1)	Approximate percentage of the Company's issued share capital
Dr. Ge Li	Interests held jointly with another person; interests of spouse; interests of controlled corporation	633,784,587 A Shares(2) (L)	25.9569%
	Beneficial owner; interests of spouse	130,104 H Shares(6) (L)	0.0053%
Dr. Ning Zhao	Interests held jointly with another person; interests of spouse; interests of controlled corporation	633,784,587 A Shares(2) (L)	25.9569%
	Beneficial owner; interests of spouse	130,104 H Shares(6) (L)	0.0053%
Mr. Zhaohui Zhang	Interests held jointly with another person; interests of controlled corporation	633,784,587 A Shares(2) (L)	25.9569%
	Beneficial owner	23,655 H Shares(6) (L)	0.0010%
Mr. Edward Hu	Beneficial owner; interests of spouse	325,536 Restricted A Shares(3) (L)	0.0133%
	Beneficial owner; interests of spouse	58,480 H Shares(6) (L)	0.0024%
Dr. Steve Qing Yang	Beneficial owner	237,204 A Shares (L)	0.0097%
	Beneficial owner	53,224 H Shares(6) (L)	0.0022%
Mr. Ellis Bih-Hsin Chu	Beneficial owner	245,000 Share Options(4)	0.0100%
	Beneficial owner	23,655 H Shares(6) (L)	0.0010%

Notes:

(1) The letter "L" denotes the person's long position in the Shares.

(2) Dr. Ge Li, Dr. Ning Zhao and Mr. Zhaohui Zhang entered into an acting-in-concert agreement and a supplemental agreement on March 23, 2016 and March 17, 2017 to acknowledge and confirm their acting-in-concert relationship in our Company.

(3) 43,176 Restrictive A Shares were granted pursuant to the 2018 A Share Incentive Plan and 2019 A Share Incentive Plan to Ms. Wendy J. Hu, spouse of Mr. Edward Hu. Mr. Edward Hu are deemed to be interested in his spouse's intertest. On May 6, 2020, 50,960 Restricted A Shares of Mr. Edward Hu and 7,560 Restricted A Shares of Ms. Wendy J. Hu were unlocked pursuant to the terms and conditions under the 2018 A Share Incentive Plan. Details of which are set out in the announcement of the Company dated May 6, 2020.

(4) The Share Options were granted pursuant to the 2018 A Share Incentive Plan.

(5) The Restricted A Shares were granted pursuant to the 2018 A Share Incentive Plan and 2019 A Share Incentive Plan.

(6) These are underlying award shares upon full vesting of the awards granted under the H Share Award and Trust Scheme of the Company on December 16, 2020. Details of which are set out in the circular and announcement of the Company dated August 12, 2020 and December 16, 2020 respectively.

(7) As at December 31, 2020, the number of issued shares of the Company was 2,441,684,821, which has been used for the calculation of the approximate percentage.

Interest in associated corporation (within the meaning of Part XV of the SFO)

Name of Director	Associated Corporation	Capacity/nature of Interest	Number of Shares	Approximate percentage of shareholding interest
Dr. Ge Li	Shanghai SynTheAll Pharmaceutical Co., Ltd. (上海合全藥業股份有限公司)	Beneficial owner	1,668,938	0.3141%
Mr. Zhaohui Zhang	Shanghai SynTheAll Pharmaceutical Co., Ltd. (上海合全藥業股份有限公司)	Beneficial owner	513,316	0.0966%
Mr. Edward Hu	Shanghai SynTheAll Pharmaceutical Co., Ltd. (上海合全藥業股份有限公司)	Beneficial owner	64,380	0.0121%

Save as disclosed above and in the section headed "Share Incentive Schemes" and to the best knowledge of the Directors, as at December 31, 2020, none of the Directors, Supervisors or the chief executive of the Company has any interests and/or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES AND SHORT POSITION IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at December 31, 2020, so far as it was known to the Directors or chief executive of the Company, the following persons (other than the Directors and chief executive of the Company) had interests and/or short positions in the Shares or underlying Shares which are required to be notified to the Company under Divisions 2 and 3 of Part XV of the SFO, or had interests or short positions in 5% or more of the respective type of Shares which were recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of Shareholder	Nature of Interest	Number and class of Shares interested	Approximate percentage of shares in relevant class of shares	Approximate percentage of the Company's issued share capital
Dr. Ge Li(2)(3)	Interests held jointly with another person; interests of spouse; interests of controlled corporation	633,784,587 A Shares (L)	29.69%	25.96%
Dr. Ning Zhao(2)(3)	Interests held jointly with another person; interests of spouse; interests of controlled corporation	633,784,587 A Shares (L)	29.69%	25.96%
Mr. Zhaohui Zhang(2)(4)	Interests held jointly with another person; interests of controlled corporation	633,784,587 A Shares (L)	29.69%	25.96%
Mr. Xiaozhong Liu(2)(5)	Interests held jointly with another person; interests of controlled corporation	633,784,587 A Shares (L)	29.69%	25.96%
Ms. Lei Zhang (張蕾)(4)	Interests of spouse	633,784,587 A Shares (L)	29.69%	25.96%
Ms. Guolian Zhang (張國連)(5)	Interests of spouse	633,784,587 A Shares (L)	29.69%	25.96%
G&C VI Limited(6)	Beneficial owner	158,760,000 A Shares (L)	7.44%	6.50%
G&C I Limited(6)	Interests of controlled corporation	158,760,000 A Shares (L)	7.44%	6.50%
G&C Limited(6)	Interests of controlled corporation	200,772,600 A Shares (L)	9.40%	8.22%
G&C IV Hong Kong Limited(7)	Beneficial owner	116,099,424 A Shares (L)	5.44%	4.75%
G&C VIII Limited(7)	Interests of controlled corporation	116,099,424 A Shares (L)	5.44%	4.75%
G&C IV Limited(7)	Interests of controlled corporation	116,099,424 A Shares (L)	5.44%	4.75%
Summer Bloom Investments (I) Pte. Ltd.(8)	Beneficial owner	145,124,379 A Shares (L)	6.80%	5.94%

Name of Shareholder	Nature of Interest	Number and class of Shares interested	Approximate percentage of shares in relevant class of shares	Approximate percentage of the Company's issued share capital
Summer Bloom Investments (II) Pte. Ltd.[8]	Interests of controlled corporation	145,124,379 A Shares (L)	6.80%	5.94%
Summer Bloom Investments Pte. Ltd.[8]	Interests of controlled corporation	145,124,379 A Shares (L)	6.80%	5.94%
Pavilion Capital International Pte. Ltd.[8]	Interests of controlled corporation	145,124,379 A Shares (L)	6.80%	5.94%
Pavilion Capital Holdings Pte. Ltd.[8]	Interests of controlled corporation	145,124,379 A Shares (L)	6.80%	5.94%
Linden Investments Pte. Ltd.[8]	Interests of controlled corporation	145,124,379 A Shares (L)	6.80%	5.94%
Fullerton Fund Investments Pte. Ltd.[8]	Interests of controlled corporation	145,124,379 A Shares (L)	6.80%	5.94%
Temasek Holdings (Private) Limited[8]	Interests of controlled corporation	145,124,379 A Shares (L)	6.80%	5.94%
Morgan Stanley Capital Management, LLC	Interests of a controlled corporation	45,490,063 H Shares (L)	14.82%	1.86%
		34,790,000 H Shares (S)	11.34%	1.42%
Wellington Management Group LLP	Investment manager	21,186,400 H Shares (L)	6.90%	0.87%
		395 H Shares (S)	0.00%	0.00%
BlackRock Inc.	Interests of a controlled corporation	33,603,249 H Shares (L)	10.95%	1.38%
		849,760 H Shares (S)	0.28%	0.03%
Qatar Investment Authority	Interests of a controlled corporation	38,790,000 H Shares (L)	12.64%	1.59%
JPMorgan Chase & Co.	Interests of a controlled corporation, Investment manager, Person having a security interest in shares and Approved lending agent	18,930,718 H Shares (L)	6.17%	0.78%
	Interests of a controlled corporation	1,944,426 H Shares (S)	0.63%	0.08%
	Approved lending agent	5,884,297 H Shares (P)	1.91%	0.24%
The Capital Group Companies, Inc.	Interests of a controlled corporation	15,895,848 H Shares (L)	5.18%	0.65%
Citigroup Inc.	Interests of a controlled corporation and Approved lending agent	18,004,542 H Shares (L)	5.87%	0.74%
	Interest of corporation controlled	7,162,403 H Shares (S)	2.33%	0.29%
	Approved lending agent	10,920,267 H Shares (P)	3.56%	0.45%
Credit Suisse Group AG	Interests of a controlled corporation, Investment manager	20,032,846 H Shares (L)	6.53%	0.82%
		12,458,501 H Shares (S)	4.06%	0.51%

Name of Shareholder	Nature of Interest	Number and class of Shares interested	Approximate percentage of shares in relevant class of shares	Approximate percentage of the Company's issued share capital
Pandanus Associates Inc.	Interests of a controlled corporation	21,551,295 H Shares (L)	7.02%	0.88%
FMR LLC	Interests of a controlled corporation	27,616,027 H Shares (L)	8.99%	1.13%

Notes:

(1) (L) — Long position; (S) — Short position; (P) — Lending pool

(2) Dr. Ge Li, Dr. Ning Zhao, Mr. Xiaozhong Liu and Mr. Zhaohui Zhang entered into an acting-in-concert agreement and a supplemental agreement on March 23, 2016 and March 17, 2017 to acknowledge and confirm their acting-in-concert relationship in our Company.

(3) Dr. Ning Zhao is the spouse of Dr. Ge Li and they are deemed to be interested in each other's interests in our Company.

(4) Ms. Lei Zhang is the spouse of Mr. Zhaohui Zhang and is deemed to be interested in Mr. Zhaohui Zhang's interests in our Company.

(5) Ms. Guolian Zhang is the spouse of Mr. Xiaozhong Liu and is deemed to be interested in Mr. Xiaozhong Liu's interests in our Company.

(6) Dr. Ge Li indirectly wholly owns G&C VI Limited through his wholly own interests in G&C I Limited and G&C Limited. Under the SFO, Dr. Ge Li is deemed to be interested in our Shares held by G&C VI Limited.

(7) G&C IV Limited is funded by nine investors, who are Independent third parties and independent to each other, holding non-voting shares, and is controlled by Dr. Ge Li by holding one voting share representing 100% of the voting power in G&C IV Limited. Dr. Ge Li indirectly wholly owns G&C IV Hong Kong Limited through his control in G&C IV Limited which wholly owns G&C VIII Limited. Under the SFO, Dr. Ge Li deemed to be interested in our Shares held by G&C IV Hong Kong Limited.

(8) Summer Bloom (I) Investments Pte. Ltd. is wholly-owned by Summer Bloom Investments (II) Pte. Ltd., which in turn is wholly owned by Summer Bloom Investments Pte. Ltd.. Summer Bloom Investments Pte. Ltd. is solely controlled by Pavilion Capital International Pte. Ltd., which is wholly-owned by Pavilion Capital Holdings Pte. Ltd., which in turn, is wholly-owned by Linden Investments Pte. Ltd.. Linden Investments Pte. Ltd. is in turn wholly-owned by Fullerton Fund Investments Pte. Ltd., which in turn, is wholly-owned by Temasek Holdings (Private) Limited. Pavilion Capital Holdings Pte. Ltd. and its subsidiaries are independently managed portfolio companies. Temasek Holdings (Private) Limited is not involved in the management decisions of these companies.

(9) As at December 31, 2020, the number of issued shares of the Company was 2,441,684,821 (comprised of 2,134,760,437 A Shares and 306,924,384 H Shares), which has been used for the calculation of the approximate percentage.

Save as disclosed above, to the best knowledge of the Company, as at December 31, 2020, no person (other than the Directors, Supervisors and chief executives) had informed the Company that he/she had interests or short positions in the Shares or underlying Shares of equity derivatives of the Company which were required to be notified to the Company under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO, or held any interests or short position in 5% or more of the respective types of capital in issue of the Company.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the share incentive schemes set out under the section "Share Incentive Schemes" on pages 89 to 106 of this annual report, at no time during the Reporting Period was the Company, its holding company, or any of its subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debt securities including debentures of, the Company or any other body corporate.

MAJOR SUPPLIERS AND CUSTOMERS

In the Reporting Period, the Group's largest customers accounted for 5.9% of the Group's total revenue. The Group's five largest customers accounted for 18.8% of the Group's total revenue.

In the Reporting Period, the Group's largest suppliers accounted for 6.3% of the Group's total purchase. The Group's five largest suppliers accounted for 18.4% of the Group's total purchase.

None of the Directors or any of their close associates (as defined under the Listing Rules) or any Shareholders (which, to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital) has any beneficial interest in the Group's five largest suppliers or the Group's five largest customers.

RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group understands the importance of maintaining a good relationship with its employees, customers and suppliers to meet its immediate and long-term business goals. During the Reporting Period, there was no material and significant dispute between the Group and its employees, customers and suppliers.

TAX RELIEF AND EXEMPTION OF HOLDERS OF LISTED SECURITIES

As at the date of this annual report, the Company is not aware of any tax relief or exemption available to the Shareholders of the Company by reason of their holding of the Company's securities.

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. The Group also has in place incentive schemes for its employees, the details of which are set out in the section headed "Share Incentive Schemes".

RETIREMENT BENEFITS SCHEME

The employees of the Group's subsidiaries in the PRC are required to contribute a certain percentage of their payroll to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to this retirement benefits schemes is to make the specified contributions. The Group has a defined contribution plan in the U.S. where participating employees may contribute to the plan 1% to 99% of their eligible annual compensation as defined in the plan, up to the Internal Revenue Service contribution (the "IRS contribution") limit of USD19,000 for the years ended December 31,2020. The Group makes a matching contribution of participants' elective deferral contribution of 100% of the first 2% and 50% for the next 4% of eligible participant contributions, with a maximum matching contribution of 4.0% of eligible participant compensation.

Details of the pension obligations of the Company are set out in Note 48 to the consolidated financial statements in this annual report.

CONNECTED TRANSACTIONS

Details on related party transactions for the Reporting Period are set out in Note 50 to the consolidated financial statements. Details of any related party transactions which also constitute connected transactions or continuing connected transactions not fully exempted under Rule 14A.73 of the Listing Rules are disclosed below.

I. Non-exempt Continuing Connected Transaction

The Group entered into one non-exempt continuing connected transaction of testing service framework agreement and a supplemental agreement with WuXi Biologics on May 17, 2017 and November 23, 2018, respectively (collectively, the "Testing Service Framework Agreement"), pursuant to which the Group would provide certain testing services, including but not limited to biosafety testing, to WuXi Biologics and its subsidiaries ("WuXi Biologics Group"). This connected transaction of the Company is also a related party transaction, full year transactions are disclosed in Note 50 to the consolidated financial statements in this annual report.

As disclosed on page 35 of this annual report, WuXi Biologics ceased to be a connected person of the Company under Chapter 14A of the Listing Rules from May 25, 2020, and the transaction under the Testing Service Framework Agreement ceased to be continuing connected transaction of the Company. As such, the review by the independent non-executive Directors and the Company's auditor on such continuing connected transaction will cover the period from January 1, 2020 to May 25, 2020.

The table below set out the annual cap for the year ended December 31, 2020 and the actual transaction amount of such continuing connected transaction during the period from January 1, 2020 to May 25, 2020:

Connected Transaction	Connected Person	Description	Pricing Policy	Annual cap for the year ended December 31, 2020 (1) (RMB million)	Actual Transaction Amount during the period from January 1, 2020 to May 25, 2020 (RMB million)
Testing Service Framework Agreement	Wuxi Biologics Group	Provision of certain testing services to Wuxi Biologics	Standard pricing used by the Group for all its customers	51.0	2.4

Note:

(1) Since the transaction under the Testing Service Framework Agreement was considered as a continuing connected transaction of the Company during the period from January 1, 2020 to May 25, 2020, the annual cap for the year ended December 31, 2020 was still applicable.

The detailed terms of the non-exempt continuing connected transaction mentioned above are as follows:

Testing Service Framework Agreement

The Group entered into a Testing Service Framework Agreement, pursuant to which the Group would provide certain testing services, including but not limited to biosafety testing, to WuXi Biologics Group. The Group enter into individual agreements separately with the WuXi Biologics Group with respect to different testing projects which provide for specific terms and conditions including service scope, service fee and other terms in accordance with the Testing Service Framework Agreement. The Testing Service Framework Agreement expired on December 31, 2020.

Pricing

The testing service fee charged by us will be determined with reference to the nature and value of the relevant testing services as with our other customers. Such pricing policy has been followed when determining the testing service fee charged by us during the period from January 1, 2020 to May 25, 2020.

Annual caps

The annual cap for the continuing connected transactions for the year ended December 31, 2020 amounted to RMB51.0 million (for further details on the revision to the original annual cap of RMB31.1 million, please refer to the relevant announcement of the Company dated March 24, 2020).

The independent non-executive Directors had reviewed the above mentioned continuing connected transactions and confirmed that the transactions had been entered into:

(1) in the ordinary and usual course of business of the Group;

(2) on normal commercial terms or better; and

(3) according to the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing the findings and conclusions in respect of the above mentioned continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules, A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

The auditors of the Group had informed the Board of Directors and confirmed nothing has come to their attention that causes them to believe that the continuing connected transactions:

(1) have not been approved by the Company's board of directors;

(2) were not, in all material respects, in accordance with the pricing policies of the Company;

(3) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and

(4) have exceeded the annual cap as set by the Company.

In respect of the above-mentioned non-exempt connected transaction, the Directors also confirmed that the Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules.

II. Connected Transactions

During the Reporting Period, the Company entered into the following connected transactions:

Connected transaction in relation to the subscription of interests in Pontifax Fund

On October 19, 2020, WuXi PharmaTech Healthcare Fund I L.P. ("WuXi Fund I"), entered into a subscription agreement with Pontifax (Cayman) VI L.P. ("Pontifax Fund"), pursuant to which WuXi Fund I agreed to make an investment in Pontifax Fund at the subscription amount of US$5 million. On October 19, 2020, the managing general partner of the Pontifax Fund, the general partner of the Pontifax Fund, Mr. Tomer Kariv and each of the limited partners of the Pontifax Fund (including WuXi Fund I and Hodge Lake, LLC ("Hodge Lake")), entered into the limited partnership agreement in relation to the Pontifax Fund. One of the other investors involved in this round of investment in Pontifax Fund is Hodge Lake, LLC, which is wholly-owned by Dr. Ning Zhao, an executive Director of the Company, and therefore a connected person of the Company. The high-growth life-science corporations that Pontifax Fund invests in are significant potential customers of the Company. The subscription of interests in the Pontifax Fund will enhance the Company's understanding of the latest developments in the biomedical field in Israel. In particular, the subscription of interests in the Pontifax Fund will provide the Company with a forward-looking guidance to expand and develop the market in Israel. Meanwhile, the subscription of interests in the Pontifax Fund will assist the Company in further cultivating the markets in the United States of America and Europe, and expanding its principal business. The Directors (including the independent non-executive Directors) are of the view that the subscription agreement and the limited partnership agreement as well as the transactions contemplated thereunder are conducted in the ordinary and usual course of business of the Group, on normal commercial terms which are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole. Please refer to the relevant announcement of the Company dated October 19, 2020 for further details.

Connected transaction in relation to the purchase of shares in D3 Bio

On November 17, 2020, WuXi Fund I, Hodge Lake, Bright Angel Investment Ltd. ("Bright Angel"), WuXi Huiying Investment Management (Suzhou) Co., Ltd. ("WuXi RMB Fund") and the Other Series A Investors entered into a share purchase agreement with D3 Bio, Inc. ("D3 Bio"), pursuant to which WuXi Fund I agreed to purchase, and D3 Bio agreed to issue and sell, 21,000,000 D3 Bio Series A-1 Shares, at a total consideration of US$21 million. Certain other investors to the share purchase agreement, namely Hodge Lake, Bright Angel and WuXi RMB Fund are associates of Dr. Ge Li and Dr. Ning Zhao, executive Directors of the Company, and therefore each a connected person of the Company. D3 Bio focuses on developing the precision medicines in oncology and immunology to meet unmet patient needs. D3 Bio employs a new approach, surveying the clinical landscape rather than only following laboratory insights, to identify the unmet patient needs and to match patients with optimal therapies. In addition, the D3 Bio Management Shareholders are experienced in drug development and business management. Through the investment in D3 Bio, the Group expects to further improve its ecological circle layout in the fields of oncology and immunology, indirectly promote the research and development of new drugs in oncology and immunology and benefit patients. The Directors (including the independent non-executive Directors) are of the view that the share purchase agreement as well as the transactions contemplated thereunder are conducted in the ordinary and usual course of business of the Group, on normal commercial terms which are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole. Please refer to the relevant announcement of the Company dated November 17, 2020 for further details.

Connected transaction in relation to the grant of Awards to the Connected Selected Participants under the H Share Award and Trust Scheme

Please refer to the section headed "Share Incentive schemes" in this annual report for further details.

During the Reporting Period, there was no connected transaction or continuing connected transaction of the Group which has to be disclosed in accordance with the Listing Rules, save for the foregoing.

RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group for the Reporting Period are set out in Note 50 to the consolidated financial statements contained herein.

Save as disclosed in the paragraph headed "Connected Transactions" in this annual report, the related party transactions disclosed in note 50 were not regarded as connected transactions or were exempt from reporting, announcement and shareholders' approval requirements under the Listing Rules.

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 annual report, the Company has maintained the public float as required under the Listing Rules as modified by the waiver granted by the Stock Exchange upon the Listing.

INDEMNITY OF DIRECTORS

A permitted indemnity provision (as defined in the Hong Kong Companies Ordinance) in relation to the director's and officer's liability insurance is currently in force and was in force during the Reporting Period.

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.

Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 58 to 74 of this annual report.

DONATIONS

During the Reporting Period, the Company made donations of RMB2.2 million.

AUDITOR

The H Shares were only listed on the Stock Exchange on December 13, 2018, and there has been no change in auditors since the Listing Date. The consolidated financial statements for the Reporting Period have been audited by Deloitte Touche Tohmatsu, Certified Public Accountants, who are proposed for reappointment at the forthcoming 2020 AGM.

COMPLIANCE WITH LAWS AND REGULATIONS

For the Reporting Period, the Company is in compliance with the relevant laws and regulations that have a significant impact on the Company.

On behalf of the Board
Dr. Ge Li
Chairman and Chief Executive Officer

Hong Kong, March 30, 2021

TO THE SHAREHOLDERS OF 無錫藥明康德新藥開發股份有限公司 WUXI APPTEC CO., LTD.*
(incorporated in the People's Republic of China with limited liability)

Opinion

We have audited the consolidated financial statements of WuXi AppTec Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 125 to 277, which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

* *For identification purpose only*

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment of goodwill acquired in business combinations	
At December 31, 2020, as disclosed in Note 20, the carrying amount of goodwill derived from the investments in the United States is RMB460,239,000. Management of the Group performed impairment test of goodwill at least on an annual basis. In performing the impairment test, management identified cash-generating units ("CGUs") first and then allocated goodwill to the corresponding CGUs. The management of the Group determined the impairment loss at the amount by which the carrying amount of the CGU to which the goodwill is allocated exceeds its recoverable amount. The recoverable amount of each CGU is the higher of the value in use or fair value less costs of disposal. The assumptions applied in determining the value in use of CGUs would require significant management estimates, including cash flow forecast, discount rate and long-term average growth rate. Therefore, we identify the impairment of goodwill derived from the investments in the United States as a key audit event.	Our procedures in relation to the impairment of goodwill derived from the investments in the United States included: • Understanding the key internal controls over impairment test of goodwill and evaluating the design and implementation of these controls; • Examining the supporting of allocation of goodwill to individual CGUs and evaluating its reasonableness; • With the assistance of our internal valuation specialists, evaluate the reasonableness of the cash flow forecast model and the management's key assumptions including discount rate and long-term average growth rate in relation to impairment test of goodwill; • Checking the cash flow projections to determine whether it conforms with historical data and supporting evidence.

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Revenue recognition for Fee-For-Service ("FFS") revenue	
The Group primarily earn revenue by providing contract research organization ("CRO") services through its China and U.S. based laboratory services and Clinical research and other CRO services segments. The revenue is recognised at a point in time or over time. For the year ended December 31, 2020, revenue of the Group's CRO services is RMB11,231,273,000, within which RMB8,294,619,000 is derived from FFS model, representing 74% of revenue of the Group's CRO services. The management of the Group identified the goods or services promised in the CRO service contracts as performance obligations and recognised revenue when control of the goods or services transferred to the customers. Inappropriate application of the judgements in determining the timing of satisfaction of performance obligations could result in material misstatement in the revenue recognition. Therefore, we identify occurrence and accuracy assertion of revenue recognition under FFS model as a key audit matter.	Our procedures in relation to the revenue recognition for FFS revenue included: • Understanding the key controls related to occurrence and accuracy assertion of revenue recognition under FFS model and evaluating the design and operating effectiveness of these controls; • Inquiring of the management of the Group and inspecting the terms of CRO services contracts to evaluate whether accounting policy of the Group complies with IFRS 15 *Revenue from Contracts with Customers*. • Selecting samples from recorded FFS sales transactions and evaluating if the performance obligations have been met in the contract by obtaining evidence of the timing of satisfaction of the performance obligation and if the appropriate accounting treatment has been carried out: (i) For performance obligations satisfied over time: (a) Evaluating the entity's documentation supporting its conclusions whether any of the "over time" criteria have been met and whether the selected method to measure progress using either input method or output method faithfully depicts the progress of the contract; (b) Test the accuracy of the measurement of progress used by the management in their calculations. (ii) For performance obligations satisfied at a point in time, checking evidences supporting the transfer of control of goods or services.

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Fair value measurement for investments with no quoted market prices in active markets	
The Group made equity investments in companies in life science and healthcare industry to achieve sustainable growth. Those qualified investments are accounted for as financial assets at fair value through profit or loss ("FVTPL") under IFRS 9 *Financial Instruments*. At December 31, 2020, as disclosed in Note 30, no quoted market prices in active markets are available for the fair value of those equity investment. Management judgements are used in determination of fair value of these investments based on valuation techniques using unobservable inputs. Therefore, we identify the fair value measurement for these investments at reporting date as a key audit matter.	Our procedures in relation to the fair value measurement for investments with no quoted market prices in active markets included: • Understanding the key controls over the fair value measurements and evaluating the design and implementation of these controls; • Assessing the objectivity, independence and competence of external appraisers used by management in determination of fair value of such investments; • With the assistance of our internal valuation specialists, on a sample basis, reviewing the valuation result from the management and external appraisers, evaluating the appropriateness of the valuation techniques applied and considering the rationality of the key management judgements used by comparison with other supporting evidence such as market data.

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.

- Conclude on the appropriateness of the directors of the Company's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Mr. Jacky Wong Suk Hung.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
March 30, 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended December 31, 2020

	NOTES	Year ended 31/12/2020 RMB'000	Year ended 31/12/2019 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	7	**326,339**	249,497
Other gains and losses	8	**283,177**	(188,847)
Impairment losses under expected credit losses ("ECL") model, net of reversal	9	**(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	10	**(196,033)**	(128,019)
Profit before tax		**3,369,376**	2,336,968
Income tax expense	11	**(383,126)**	(425,559)
Profit for the year	12	**2,986,250**	1,911,409
Other comprehensive (expense) income 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

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended December 31, 2020

	NOTES	Year ended 31/12/2020 *RMB'000*	Year ended 31/12/2019 *RMB'000*
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
Total comprehensive income for the year 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
		RMB	*RMB*
Earnings per share			
— Basic	14	**1.27**	0.81
— Diluted	14	**1.25**	0.80

Consolidated Statement of Financial Position

At December 31, 2020

	NOTES	31/12/2020 RMB'000	31/12/2019 RMB'000
Non-current Assets			
Property, plant and equipment	16	**10,137,062**	7,665,990
Right-of-use assets	17	**1,519,864**	1,564,438
Goodwill	18	**1,391,759**	1,362,176
Other intangible assets	19	**585,319**	495,874
Interests in associates	21	**712,337**	768,292
Interests in joint ventures	22	**52,496**	25,215
Financial assets at fair value through profit or loss ("FVTPL")	30	**6,717,207**	4,009,081
Deferred tax assets	23	**300,901**	262,215
Other non-current assets	24	**1,395,594**	62,391
Biological assets	25	**418,869**	360,254
Amounts due from related parties	50	**419**	174
		23,231,827	16,576,100
Current Assets			
Inventories	26	**1,933,826**	1,208,320
Trade and other receivables	28	**4,337,866**	3,555,889
Contract assets	28	**541,953**	379,396
Contract costs	27	**250,345**	180,201
Biological assets	25	**501,688**	353,964
Income tax recoverable		**19,057**	6,286
Financial assets at FVTPL	30	**4,617,725**	1,701,638
Amounts due from related parties	50	**56,885**	13,342
Derivative financial instruments	32	**562,824**	36,755
Pledged bank deposits	31	**9,113**	3,950
Bank balances and cash	31	**10,228,057**	5,223,293
		23,059,339	12,663,034
Current Liabilities			
Trade and other payables	33	**4,550,334**	3,392,829
Income tax payables		**340,371**	261,390
Amounts due to related parties	50	**23,845**	24,796
Borrowings	36	**1,230,011**	1,809,857
Financial liabilities at FVTPL	40	**16,508**	19,499
Lease liabilities	37	**177,436**	142,497
Derivative financial instruments	32	**859**	86,378
Contract liabilities	34	**1,580,980**	897,140
		7,920,344	6,634,386

At December 31, 2020

	NOTES	31/12/2020 RMB'000	31/12/2019 RMB'000
Net Current Assets		**15,138,995**	6,028,648
Total Assets Less Current Liabilities		**38,370,822**	22,604,748
Non-current Liabilities			
Borrowings	36	—	762,400
Deferred tax liabilities	23	**282,987**	231,098
Deferred income	35	**682,035**	667,382
Lease liabilities	37	**1,067,103**	1,104,689
Convertible bonds-debt component	39	**1,819,029**	1,874,915
Convertible bonds-embedded derivative component	39	**1,582,060**	298,013
Financial liabilities at FVTPL	40	—	24,729
Other long-term liabilities	38	**219,117**	231,812
		5,652,331	5,195,038
Net Assets		**32,718,491**	17,409,710
Capital and Reserves			
Share capital	41	**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

The consolidated financial statements on pages 125 to 277 were approved and authorized for issue by the board of directors on March 30, 2021 and are signed on its behalf by:

Ge LI	**Edward HU**
DIRECTOR	*DIRECTOR*

	Attributable to owners of the Company												
	Share capital RMB'000	Share premium RMB'000	Treasury shares RMB'000	Capital reserve RMB'000	Share-based payment reserve RMB'000	Cash flow hedging reserve RMB'000	Foreign currency translation reserve RMB'000	Statutory reserve RMB'000	Other reserve RMB'000	Retained earnings RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total RMB'000
Adjusted balance at January 1, 2019	1,164,741	11,225,644	(285,989)	(50,754)	404,315	(79,646)	135,939	87,709	398,216	4,659,438	17,659,613	476,086	18,135,699
Profit for the year	–	–	–	–	–	–	–	–	–	1,854,551	1,854,551	56,858	1,911,409
Other comprehensive income for the year	–	–	–	–	–	55,195	44,758	–	–	–	99,953	8,871	108,824
Total comprehensive income for the year	–	–	–	–	–	55,195	44,758	–	–	1,854,551	1,954,504	65,729	2,020,233
Transferred to statutory reserve (Note a)	–	–	–	–	–	–	–	58,506	–	(58,506)	–	–	–
Issue of restricted A Shares	13,422	421,974	(435,396)	–	–	–	–	–	–	–	–	–	–
Issue of H Shares under the over-allotment option (Note 41)	5,321	310,997	–	–	–	–	–	–	–	–	316,318	–	316,318
Transaction costs attributable to issue of new shares	–	(8,083)	–	–	–	–	–	–	–	–	(8,083)	–	(8,083)
Repurchase and cancellation of restricted A shares (Note 41)	(370)	(11,935)	12,305	–	–	–	–	–	–	–	–	–	–
Share premium transferred to share capital (Note 41)	468,013	(468,013)	–	–	–	–	–	–	–	–	–	–	–
Recognition of share-based payments (Note b)	–	–	–	–	172,046	–	–	–	–	–	172,046	1,424	173,470
Change in ownership interests in subsidiaries without change of control (Note 51.3)	–	–	–	(2,107,518)	–	–	–	–	–	–	(2,107,518)	(470,702)	(2,578,220)
Issue of ordinary shares of a subsidiary under employee share option plan (Note 51.3)	–	–	–	753	–	–	–	–	–	–	753	24,918	25,671
Payment of dividends	–	–	3,263	–	–	–	–	–	–	(678,641)	(675,378)	–	(675,378)
Balance at December 31, 2019	1,651,127	11,470,584	(705,817)	(2,157,519)	576,361	(24,451)	180,697	146,215	398,216	5,776,842	17,312,255	97,455	17,409,710

Consolidated Statement of Changes in Equity

For the year ended December 31, 2020

	Attributable to owners of the Company												
	Share capital RMB'000	Share premium RMB'000	Treasury shares RMB'000	Capital reserve RMB'000	Share-based payment reserve RMB'000	Cash flow hedging reserve RMB'000	Foreign currency translation reserve RMB'000	Statutory reserve RMB'000	Other reserve RMB'000	Retained earnings RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total RMB'000
Profit for the year	–	–	–	–	–	–	–	–	–	2,960,235	2,960,235	26,015	2,986,250
Other comprehensive income for the year	–	–	–	–	–	506,210	(425,512)	–	–	–	80,698	6,952	87,650
Total comprehensive income for the year	–	–	–	–	–	506,210	(425,512)	–	–	2,960,235	3,040,933	32,967	3,073,900
Transferred to statutory reserve (Note a)	–	–	–	–	–	–	–	92,681	–	(92,681)	–	–	–
Issue of non-public A shares	62,690	6,465,250	–	–	–	–	–	–	–	–	6,527,940	–	6,527,940
Transaction costs attributable to issue of non-public A shares	–	(66,694)	–	–	–	–	–	–	–	–	(66,694)	–	(66,694)
Issue of H Shares placing	68,205	6,561,359	–	–	–	–	–	–	–	–	6,629,564	–	6,629,564
Transaction costs attributable to issue of H Shares placing	–	(70,903)	–	–	–	–	–	–	–	–	(70,903)	–	(70,903)
Issue of restricted A Shares (Note 45)	383	15,172	(15,555)	–	–	–	–	–	–	–	–	–	–
Repurchase and cancellation of restricted A shares (Note 41)	(1,234)	(26,998)	28,232	–	–	–	–	–	–	–	–	–	–
Share premium transferred to share capital (Note 41)	660,451	(660,451)	–	–	–	–	–	–	–	–	–	–	–
Acquisition of a subsidiary (Note 44)	–	–	–	–	–	–	–	–	–	–	–	57,271	57,271
Change in ownership interests in subsidiaries without change of control (Note 51.3)	–	–	–	(382,317)	–	–	–	–	–	–	(382,317)	33,592	(348,725)
Recognition of share-based payments (Note b)	–	–	–	–	553,269	–	–	–	–	–	553,269	3,463	556,732
2018 Restricted A shares Tranche one vested (Note 45)	–	–	106,383	84,418	(84,418)	–	–	–	–	–	106,383	–	106,383
2018 Option Tranche one vested (Note 45)	63	2,844	–	1,254	(1,254)	–	–	–	–	–	2,907	–	2,907
Repurchase of H shares under 2020 H Share Awards	–	–	(609,786)	–	–	–	–	–	–	–	(609,786)	–	(609,786)
Payment of dividends	–	–	6,622	–	–	–	–	–	–	(556,430)	(549,808)	–	(549,808)
Balance at December 31, 2020	2,441,685	23,690,163	(1,189,921)	(2,454,164)	1,043,958	481,759	(244,815)	238,896	398,216	8,087,966	32,493,743	224,748	32,718,491

Notes:

a. In accordance with the Articles of Association of the Company, it is required to transfer 10% of the profit after taxation to the statutory reserve until the reserve reaches 50% of the registered capital. Transfer to this reserve must be made before distributing dividends to equity holders. The statutory reserve can be used to make up for previous years' losses, expand the existing operations or convert into additional capital of the Company.

b. The amount represents share-based payment reserve as disclosed in Note 45.

Consolidated Statement of Cash Flows

For the year ended December 31, 2020

	Year ended 31/12/2020 RMB'000	Year ended 31/12/2019 RMB'000
OPERATING ACTIVITIES		
Profit before tax	**3,369,376**	2,336,968
Adjustments for:		
Interest income	**(92,363)**	(88,210)
Income from government grants and subsidies related to assets	**(54,279)**	(58,386)
Finance costs	**196,033**	128,019
Dividends received from financial assets at FVTPL	**(27,054)**	(14,683)
Depreciation of 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
Impairment loss, net of reversal		
— goodwill	**44,346**	—
— inventories	**18,295**	1,433
— financial assets and other items under ECL model	**12,627**	43,165
Write-off of trade receivables	**(1,498)**	—
Share of losses of joint ventures	**13,919**	39,306
Share of losses (profits) of associates	**76,833**	(18,589)
Share-based payment expenses	**556,732**	173,470
Net foreign exchange loss (gain)	**411,116**	(20,668)
Loss (gain) on disposal of		
— plant and equipment and right-of-use assets	**9,358**	4,295
— financial assets at FVTPL	**(310,792)**	(39,559)
Gain resulting from transfer of an investment in associates to financial assets at FVTPL	**(351,491)**	—
Fair value (gain) loss on financial assets at FVTPL	**(1,181,239)**	84,029
Fair value loss on financial liabilities at FVTPL	**41,062**	11,424
Fair value gain on biological assets	**(291,718)**	(4,949)
Loss on derivative financial instruments	**1,371,978**	154,730
Operating cash flows before movements in working capital	**4,947,215**	3,695,146

Consolidated Statement of Cash Flows

For the year ended December 31, 2020

	Year ended 31/12/2020 RMB'000	Year ended 31/12/2019 RMB'000
Movements in working capital elements:		
Increase in inventories	**(516,551)**	(378,914)
Increase in contract costs	**(70,144)**	(82,489)
Decrease (increase) in biological assets	**62,342**	(49,729)
Increase in trade and other receivables	**(739,447)**	(1,083,127)
(Increase) decrease in income tax recoverable	**(12,771)**	27,742
(Increase) decrease in contract assets	**(162,525)**	17,794
Increase in other non-current assets	**(6,046)**	(21,663)
(Increase) decrease in amounts due from related parties	**(43,788)**	366
(Decrease) increase in amounts due to related parties	**(951)**	591
Increase in trade and other payables	**133,338**	618,809
Increase in contract liabilities	**679,337**	211,839
Increase (decrease) in other long-term liabilities	**10,935**	(13,181)
Increase (decrease) in deferred income	**14,653**	(2,804)
Cash generated from operations	**4,295,597**	2,940,380
Income taxes paid	**(468,009)**	(411,119)
NET CASH FROM OPERATING ACTIVITIES	**3,827,588**	2,529,261
INVESTING ACTIVITIES		
Interests received	**75,098**	84,278
Proceeds from disposal of financial assets at FVTPL	**894,488**	554,782
Purchase of financial assets at FVTPL	**(5,099,373)**	(2,121,962)
Purchase of other non-current assets	**(1,300,000)**	—
Proceeds from disposal of other intangible assets	**307**	659
Proceeds from disposal of property, plant and equipment	**8,283**	15,187
Acquisition of interests in associates	**(73,881)**	(126,220)
Acquisition of interests in joint ventures	**(26,667)**	(20,864)
Purchases of property, plant and equipment	**(3,026,211)**	(2,268,971)
Purchases of right-for-use assets	**—**	(152,075)
Payments for rental deposits	**(1,158)**	(6,201)
Purchases of other intangible assets	**(4,824)**	(28,037)
Purchases of biological assets	**—**	(82,714)
Placement of pledged bank deposits	**(5,163)**	(1,037)
Net cash outflow on acquisition of subsidiaries	**(186,055)**	(784,772)
Dividends received from financial assets at FVTPL	**68,698**	106,831
Dividends received from interests in associates	**—**	11,487
Dividends received from interests in joint ventures	**2,075**	—
Payments for forward contract	**(32,608)**	(78,126)
Government grants and subsidies received related to assets	**77,363**	309,729
NET CASH USED IN INVESTING ACTIVITIES	**(8,629,628)**	(4,588,026)

	Year ended 31/12/2020 RMB'000	Year ended 31/12/2019 RMB'000
FINANCING ACTIVITIES		
Payments of dividends	**(556,430)**	(678,641)
New borrowings raised	**1,692,136**	2,847,936
Repayments of borrowings	**(2,975,693)**	(417,000)
Repayments of lease liabilities	**(233,811)**	(160,545)
Proceeds from issue of ordinary shares of a subsidiary under employee share option plan	**18,462**	25,671
Proceeds from non-public issue of A shares	**6,465,924**	—
Proceeds from issue of H Shares under placing agreement	**6,564,329**	—
Proceeds from issue of convertible bonds	**—**	2,079,462
Considerations received for subscribing restricted A shares of the Company under the 2018 WuXi AppTec A Share Incentive Scheme	**—**	435,396
Proceeds from issue of ordinary shares of a subsidiary to non-controlling shareholders	**113,451**	—
Repurchase and cancellation of restricted A shares	**(28,232)**	(12,305)
Proceeds from issue of H Shares under the over-allotment option	**—**	308,235
Interests paid	**(81,685)**	(51,837)
Acquisition of interests in a subsidiary from non-controlling shareholders	**(462,176)**	(2,578,220)
Repurchase of H shares under 2020 H Share Awards	**(615,104)**	—
Repayments of consideration payable on purchase of a property under installment payment plan	**—**	(200,255)
Issue cost paid	**(13,124)**	(40,036)
NET CASH FROM FINANCING ACTIVITIES	**9,888,047**	1,557,861
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**5,086,007**	(500,904)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR	**5,223,293**	5,757,691
Effects of exchange rate changes	**(81,243)**	(33,494)
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	**10,228,057**	5,223,293

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. 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:

2. APPLICATION OF NEW AND REVISED IFRSs (continued)

Application of amendments to IFRSs (continued)

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 the amendments to IFRSs in the current year 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.

The Group has not early applied the following new and amendments to IFRS Standards that have been issued but are not yet effective:

IFRS 17	Insurance Contracts and the related Amendments (Note i)
Amendments to IFRS 3	Reference to the Conceptual Framework (Note ii)
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform — Phase 2 (Note iv)
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Note iii)
Amendments to IAS 1	Classification of Liabilities as Current or Non-current (Note i)
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use(Note ii)
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract (Note ii)
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2018–2020 (Note ii)
Amendments to IAS1 and IFRS Practice Statement 2	Disclosure of Accounting Policies (Note i)
Amendments to IAS 8	Definition of Accounting Estimates (Note i)

Notes:

i: Effective for annual periods beginning on or after 1 January 2023.

ii: Effective for annual periods beginning on or after 1 January 2022.

iii: Effective for annual periods beginning on or after a date to be determined.

iv: Effective for annual periods beginning on or after 1 January 2021.

Except for the new and amendments to IFRSs mentioned below, the directors of the Company anticipate that application of all other new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

2. APPLICATION OF NEW AND REVISED IFRSs (continued)

Application of amendments to IFRSs (continued)

Amendments to IAS 1 Classification of Liabilities as Current or Non-current

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that a liability should be classified as non-current if an entity has the right, the classification should not be affected by management intentions or expectations to settle the liability within 12 months;
- clarify that if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and
- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying IAS 32 Financial Instruments: Presentation.

As at 31 December 2020, the Group's outstanding convertible instruments include counterparty conversion options that do not meet equity instruments classification by applying IAS 32 Financial Instruments: Presentation, and the Group classified the convertible instruments as current or non-current based on the earliest date in which the Group has the obligation to redeem these instruments through cash settlement. The host debt component is measured at amortised cost with carrying amount of RMB1,819,029,000 and the derivative component (including the conversion options) is measured at fair value with carrying amount of RMB1,582,060,000 as at December 31, 2020, both of which are classified as non-current as set out in Note 39. Upon the application of the amendments, in addition to the obligation to redeem through cash settlement, the transfer of equity instruments upon the exercise of the conversion options that do not meet equity instruments classification also constitute settlement of the convertible instruments. The host liability and the derivative component would be reclassified to current liabilities as the holders have the option to convert within twelve months.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Hong Kong Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial instruments and investment properties which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial information of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the reporting period are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 before January 1, 2018 and IFRS 9 on or after January 1, 2018 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combination

Acquisitions of businesses, other than business combination under common control, are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquire are measured in accordance with IFRS 2 at the acquisition date;

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard; and

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in IFRS 16) as if the acquired leases were new leases at the acquisition date except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after reassessment, the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combination (continued)

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition date fair value and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised other comprehensive income and measured under IFRS 9/IAS 39 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

Merger accounting for business combination involving entities under common control

The consolidated financial statements incorporate the financial statements items of the combining businesses in which the common control combination occurs as if they had been consolidated from the date when the combining businesses first came under the control of the controlling party.

The net assets of the combining businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination.

The consolidated statements of profit or loss and other comprehensive income includes the results of each of the combining businesses from the earliest date presented or since the date when the combining businesses first came under the common control, where this is a shorter period.

The comparative amounts in the consolidated financial statements are presented as if the businesses had been consolidated at the end of the previous reporting period or when they first came under common control, whichever is shorter.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Acquisition of a subsidiary not constituting a business

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets and financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

The Group's policy for goodwill arising on the acquisition of an associate and a joint venture is described below.

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and joint ventures (continued)

The results and assets and liabilities of associates or joint ventures are incorporated in the consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate/joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognizing its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

When an investment in an associate or a joint venture is held by, or is held indirectly through, venture capital organisation or similar entities of the Group, the Group may irrevocably elect to measure that investment at fair value through profit or loss in accordance with IFRS 9 and presented as financial assets at FVTPL. Such election is made separately for initial recognition of each associate or joint venture.

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and joint ventures (continued)

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of IFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate or joint venture.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contracts with customers (continued)

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contracts with customers (continued)

Contracts with multiple performance obligations (including allocation of transaction price) (continued)

The selection of the method to measure progress towards completion requires judgment and is based on the nature of the products or services to be provided. Depending on which better depicts the transfer of value to the customer, the Group generally measures its progress using either cost-to-cost (input method) or units produced/services transferred to the customer to date (output method). The Group uses the known cost measure of progress when it best depicts the transfer of value to the customer which occurs as the Group incurs costs on its contract, generally related to fixed fee service contracts. Under the cost-to-cost measure of progress, the extent of progress towards completion is measured based on the ratio of costs incurred to date to the total estimated costs at completion of the performance obligation. Revenue is recorded proportionally as costs are incurred. The units produced/services transferred to the customer to date measure of progress is generally related to rate per unit contracts or contracts for the delivery of services, as the extent of progress towards completion is measured based on discrete service or time-based increments, such as samples tested or services transferred.

As a practical expedient, if the Group has a right to consideration in an amount that corresponds directly with the value of the Group's performance completed to date (for example, service contracts in which the Group bills a fixed amount for each hour of service provided), the Group recognises revenue in the amount to which the Group has the right to invoice.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued for each period, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contracts with customers (continued)

Contract costs

The Group incurs costs to fulfill a contract in its business. The Group first assess whether these costs qualify for recognition as an asset in terms of other relevant standards, failing which it recognises an asset for these costs only if they meet all of the following criteria:

- the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;
- the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- the costs are expected to be recovered.

Costs to fulfill a contract of the Group mainly consists of cost of materials consumed (determined on a weighted average method), cost of labor and other costs of personnel directly engaged in providing the chemical discovery, development and manufacturing service, including supervisory personnel, and attributable overheads.

The asset recognised is subsequently amortized to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate. The asset is subject to impairment review.

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Allocation of consideration to components of a contract

The Group applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as a lessee (continued)

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of equipment and office premises that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 Financial Instruments ("IFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as a lessee (continued)

Lease liabilities (continued)

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as a lessee (continued)

Lease modifications (continued)

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recognised as receivables at commencement date at amounts equal to net investments in the leases, measured using the interest rate implicit in the respective leases. Initial direct costs (other than those incurred by manufacturer or dealer lessors) are included in the initial measurement of the net investments in the leases. Interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies IFRS 15 to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted for under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as a lessor (continued)

Sublease

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchanges prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

Borrowing costs

All borrowing costs are recognised in profit or loss in the year in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expense the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants 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.

Retirement benefit costs

The Group participates in two defined contribution schemes:

a) A state-managed retirement benefit scheme in the PRC, pursuant to which the Group pays a fixed percentage of its qualifying staff's wages as contributions to the scheme.

b) A defined contribution plan in the United States of America ("USA"), pursuant to which the Group makes a matching contribution of participants' elective deferral contribution of 100% of the first 2% and 50% for the next 4% of eligible participant contributions. The maximum match is 4% of eligible participant compensation.

Payments to such retirement benefit schemes are charged as an expense when employees have rendered service entitling them to the contributions.

Under the defined contribution scheme in some countries, where employees leave the scheme prior to the full vesting of the employer's contributions, the amount of forfeited contributions is used to reduce the contributions payable by the Group. During the Reporting Period, the Group did not have any contributions forfeited in accordance with the schemes' rules which have been applied towards the contributions payable by the Group.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Short-term employee benefits (continued)

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before tax" as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences on initial recognition of the relevant right-of-use assets and lease liabilities are not recognised due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognised in profit or loss when the asset is derecognised.

Internally-generated intangible assets — research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible assets so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- the intangible asset will generate probable future economic benefits;

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

Internally-generated intangible assets — research and development expenditure (continued)

- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses (if any) on the same basis as intangible assets that are acquired separately.

Impairment of property, plant and equipment, right-of-use assets, intangible assets and contract costs other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets with finite useful lives and contract costs to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment, right-of-use assets, and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Before the Group recognises an impairment loss for assets capitalised as contract costs under IFRS 15, the Group assesses and recognises any impairment loss on other assets related to the relevant contracts in accordance with applicable standards. Then, impairment loss, if any, for assets capitalised as contract costs is recognised to the extent the carrying amounts exceeds the remaining amount of consideration that the Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services that have not been recognised as expenses. The assets capitalised as contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of property, plant and equipment, right-of-use assets, intangible assets and contract costs other than goodwill (see the accounting policy in respect of goodwill above) (continued)

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Biological assets

Biological assets represent cynomolgous non-human primates. Biological assets are measured on initial recognition and at the end of each reporting period at their fair value less costs to sell. A gain or loss arising on initial recognition of biological asset at fair value less costs to sell and from a change in fair value less costs to sell of a biological asset is included in profit or loss for the period in which it arises.

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs of inventories are determined on a weighted average method. Net realizable value represents the contracted selling price less all estimated costs of completion and costs necessary to make the sale.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributed to the acquirer of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application of IFRS 9/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 Business Combinations applies.

Amortized cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortized cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortized cost of the financial asset from the next reporting period. If the credit risk on the credit impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

Interest income is recognised in profit or loss and is included in the “other income” line item.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains and losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the “other gains and losses” line item.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. For financial assets measured at amortized cost, exchange differences are recognised in profit or loss in the 'other gains and losses' line item (Note 8).

Impairment of financial assets and other items subject to impairment assessment under IFRS 9

The Group performs impairment assessment under ECL model on financial assets (including trade and other receivables, contract assets, amounts due from related parties, cash and cash equivalents and pledged bank deposits) which are subject to impairment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables, contract assets and amounts due from related parties of trade nature. The ECL on these financial assets are assessed collectively using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Significant increase in credit risk (continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; or
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definition.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

a) significant financial difficulty of the issuer or the borrower;

b) a breach of contract, such as a default or past due event;

c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization;

e) the disappearance of an active market for that financial asset because of financial difficulties; or

f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis to cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments;
- Past-due status;
- Nature, size and industry of debtors;
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortized cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued are classified as either financial liabilities or as equity in accordance with substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which IFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at amortized cost

Other financial liabilities including borrowings, trade and other payables and amount due to related parties are subsequently measured at amortized cost, using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortized cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortized cost of the instruments. These foreign exchange gains and losses are recognised in the "other gains and losses" line item in profit or loss (Note 8).

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Treasury shares

Own equity instruments which held by the Company or the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in the statement of profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Embedded derivatives

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of IFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured in its entirety as either amortised cost or fair value as appropriate.

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Generally, multiple embedded derivatives in a single instrument that are separated from the host contracts are treated as a single compound embedded derivative unless those derivatives relate to different risk exposures and are readily separable and independent of each other.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Derivative financial instruments (continued)

Convertible bonds

Convertible bonds issued by the Group that contain both debt and multiple embedded derivatives (including conversion options that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments and redemption options) are classified separately into respective items on initial recognition. At the date of issue, both the debt component and the derivative component are recognised at fair value. In subsequent periods, the debt component of the convertible bonds is carried at amortised cost using the effective interest method. The derivative component is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the convertible bonds are allocated to the debt and derivative components in proportion to their relative fair values. Transaction costs relating to the derivative component are charged to profit or loss immediately. Transaction costs relating to the debt component are included in the carrying amount of the debt portion and amortised over the period of the convertible bonds using the effective interest method.

Hedge accounting

The Group designates certain derivatives as hedging instruments for cash flow hedges.

At the inception of the hedging relationship the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

Assessment of hedging relationship and effectiveness

For hedge effectiveness assessment, the Group considers whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Hedge accounting (continued)

Assessment of hedging relationship and effectiveness (continued)

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

Cash flow hedges

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulate under the heading of cash flow hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the "other gains and losses" line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income. Furthermore, if the Group expects that some or all of the loss accumulated in the cash flow hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

Discontinuation of hedge accounting

The Group discontinues hedge accounting prospectively only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. Discontinuing hedge accounting can either affect a hedging relationship in its entirety or only a part of it (in which case hedge accounting continues for the remainder of the hedging relationship).

For cash flow hedge, any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transactions is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payment transactions

Equity-settled share-based transactions

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share options reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When the share options are exercised or when the restricted shares are vested, the Company issues new ordinary shares, and the amount previously recognised in the share-based payment reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based payment reserve will be transferred to retained earnings.

Cash-settled share-based payment transactions

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgment, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Judgments in determining the timing of satisfaction of performance obligations

The Group has different contractual arrangements with different customers. In determining the timing of satisfaction of perform obligations, the management review the contract term of each individual contract. The recognition of FFS revenue under IFRS 15 requires management to apply critical judgements in determining whether the timing of satisfaction of performance obligations is at a point in time or over time.

Satisfaction of Performance Obligations:

For certain types of revenue under FFS model, the directors of the Company have determined that performance obligations are satisfied over time. Significant judgment is required in determining whether the terms of the Group's contracts with customers in relation to certain type of revenue under FFS model create an enforceable right to payment for the Group. The Group has considered the relevant local laws that are applicable to those relevant contracts and opinion from external legal counsel (if needed).

Depending on which better depicts the transfer of value to the customer, the directors of the Company make judgement to measure the progress of the projects using either cost-to-cost (input method) or units produced/services transferred to the customer to date (output method).

For certain services under FFS method, the directors of the Company have assessed that the Group has a present right to payment from the customers for the services performed at a point in time upon finalization, delivery and acceptance of the deliverable units. Therefore, the directors of the Company have satisfied that the performance obligation of FFS is satisfied at a point in time and recognised FFS revenue at a point in time.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are disclosed below.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. The assumptions applied in determining the value in use of cash-generating units would require significant management estimates, including cash flow forecast, discount rate and long-term average growth rate. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows, a material impairment loss/further impairment loss may arise. As at December 31, 2020, the carrying amount of goodwill is RMB1,391,759,000 (December 31, 2019: RMB1,362,176,000), net of accumulated impairment loss of RMB141,549,000 (December 31, 2019: RMB100,537,000). Details of the recoverable amount calculation are disclosed in Note 20.

Impairment on property, plant and equipment and other intangible assets

The Group regularly reviews whether there are any indications of impairment and recognises an impairment loss if the carrying amount of an asset is lower than its recoverable amount. The Group tests for impairment for property, plant and equipment whenever there is an indication that the asset may be impaired. The recoverable amounts have been determined based on the higher of the fair value less costs of disposal and value in use. The use of estimates are required in these calculations.

Fair value measurements of financial instruments

Certain of the Group's financial assets, unquoted equity instruments amounting to RMB4,489,915,000 as at December 31, 2020 (December 31, 2019: RMB2,563,112,000) are measured at fair values with fair values being determined based on unobserved inputs using valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could affect the reported fair values of these instruments. Further disclosures are detailed in Note 30.

Valuation of the embedded derivatives in convertible bonds

The fair value for the embedded derivatives in convertible bonds are established by using valuation techniques. The valuation model is sensitive to changes in certain key inputs including volatility of share prices, risk-free rate and dividend yield that require significant management estimates. Any changes in the estimates and assumptions will affect the fair values of the embedded derivatives in convertible bonds. The carrying amount of embedded derivatives is disclosed in Note 39.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

Fair Value of share based compensation

The share based compensation expense is measured based on the fair value of the share rewards as calculated under the Black-Scholes or binomial option pricing model. Management is responsible for determining the fair value of the share options or restricted shares granted to employees. The key assumptions used to determine the fair value of the share unit awards at the grant date and the re-measure dates include share price on measurement date, expected volatility and risk-free interest rate. Changes in these assumptions could significantly affect the fair value of share awards and hence the amount of compensation expenses the Group recognise in our consolidated financial statements.

Fair Value of biological assets

The Group's biological assets are measured at fair values being determined based on unobserved inputs using valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could affect the reported fair values of these biological assets. Further disclosures are detailed in Note 25.

Useful lives and residual values of property, plant and equipment

The Group determines the estimated useful lives, residual values and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. The Group will increase the depreciation charge where useful lives are less than previously estimated lives, or will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

Useful lives and residual values of other intangible assets

The Group's management determines the useful lives, residual values and related amortisation charges for its other intangible assets. This estimate is based on the historical experience of the actual useful lives of other intangible assets of similar nature and functions and may vary significantly as a result of technical innovations and keen competitions from competitors, resulting in higher amortisation charge and/or write-off or write-down of technically obsolete assets when useful lives are less than previously estimated. The Group will increase the amortisation charges where useful lives are less than previously estimated lives, or will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

Deferred tax assets

As at December 31, 2020, a deferred tax asset of RMB81,238,000 (December 31, 2019: RMB43,726,000) in relation to unused tax losses for certain operating subsidiaries has been recognised in the Group's consolidated statement of financial position. No deferred tax asset has been recognised on the tax losses of RMB282,858,000 for non-operating subsidiaries or certain loss making companies due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

Provision of ECL for trade receivables and contract assets

The Group uses provision matrix to calculate ECL for the trade receivables and contract assets. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables and contract assets are disclosed in Note 29.

Inventories and contract costs

The Group assesses periodically if cost of inventories and contract cost may not be recoverable based on an assessment of the net realizable value of inventories and contract cost. Allowances are applied to inventories and contract cost where events or changes in circumstances indicate that the net realizable value is lower than the cost of inventories or contract cost. The identification of obsolete inventories requires the use of judgment and estimates on the conditions and usefulness of the inventories and in the case of contract cost, the net realizable value has been determined based on the contracted selling price to be recognised upon the completion of the contract cost less all estimated remaining costs to completion and costs necessary to provide the service. Where the expectation is different from the original estimate, such difference will impact the carrying value of the inventories and contract cost in the year in which such estimate changes.

As at December 31, 2020, the carrying amounts of inventories were approximately RMB1,933,826,000 (December 31, 2019: RMB1,208,320,000), net of write down of inventories of approximately RMB31,432,000 (December 31, 2019: RMB13,137,000).

As at December 31, 2020, the carrying amounts of contract cost were approximately RMB250,345,000 (December 31, 2019: RMB180,201,000).

5. REVENUE

The Group's revenue streams are categorized 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.

5. REVENUE (continued)

Disaggregation of 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 below.

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

	Year ended 31/12/2020 *RMB'000*	Year ended 31/12/2019 *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 *RMB'000*	Year ended 31/12/2019 *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. 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

— U.S.-based laboratory services

— Clinical research and other CRO services

— CDMO services

— Others

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

6. SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

	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 accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. 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.

6. SEGMENT INFORMATION (continued)

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 ***RMB'000***	Year ended 31/12/2019 *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:

	31/12/2020 ***RMB'000***	31/12/2019 *RMB'000*
— PRC	**12,689,580**	8,814,396
— Rest of the world	**3,523,720**	3,490,234
	16,213,300	12,304,630

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

7. OTHER INCOME

	Year ended 31/12/2020 RMB'000	Year ended 31/12/2019 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. Details of the grants and subsidies are set out in Note 35.

(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.

8. OTHER GAINS AND LOSSES

	Year ended 31/12/2020 RMB'000	Year ended 31/12/2019 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)

8. OTHER GAINS AND LOSSES (continued)

Note:

During the year, 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.

9. IMPAIRMENT LOSSES UNDER ECL MODEL, NET OF REVERSAL

	Year ended 31/12/2020 *RMB'000*	Year ended 31/12/2019 *RMB'000*
Impairment losses under ECL model on		
— trade receivables	**12,659**	46,866
— contract assets	**(32)**	(3,701)
	12,627	43,165

10. FINANCE COSTS

	Year ended 31/12/2020 *RMB'000*	Year ended 31/12/2019 *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

11. 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 a range from 10% to 25% during the reporting period.

11. INCOME TAX EXPENSE (continued)

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

12. 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

13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

Details of the emoluments paid or payable to the directors and the Chief Executive of the Company for the service provided to the Group during the reporting period are as follows:

	Fees *RMB'000*	Salaries *RMB'000*	Performance related bonuses *RMB'000*	Retirement benefit scheme contribution *RMB'000*	Share-based compensation *RMB'000*	Total *RMB'000*
For the year ended December 31, 2020						
Chief Executive and executive director						
Dr. Ge LI	—	8,012	11,820	18	467	20,317
Mr. Steve Qing YANG (i)	—	3,035	2,893	—	4,501	10,429
Executive directors						
Mr. Edward HU	—	3,931	2,282	18	5,024	11,255
Mr. Zhaohui ZHANG	—	1,980	1,787	53	104	3,924
Dr. Ning ZHAO	—	1,610	1,429	—	104	3,143
Mr. Xiaozhong LIU	—	829	—	22	—	851
Non-executive directors						
Mr. Xiaomeng TONG	—	—	—	—	—	—
Dr. Yibing WU	—	—	—	—	—	—
Independent non-executive directors						
Dr. Jiangnan CAI	263	—	—	—	—	263
Dr. Hetong LOU	263	—	—	—	—	263
Mr. Xiaotong ZHANG	263	—	—	—	—	263
Ms. Yan LIU	263	—	—	—	—	263
Mr. Dai FENG	263	—	—	—	—	263
Total	1,315	19,397	20,211	111	10,200	51,234

13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (continued)

	Fees *RMB'000*	Salaries *RMB'000*	Performance related bonuses *RMB'000*	Retirement benefit scheme contribution *RMB'000*	Share-based compensation *RMB'000*	Total *RMB'000*
For the year ended December 31, 2019						
Chief Executive and executive director						
Dr. Ge LI	—	7,713	10,287	59	—	18,059
Mr. Edward HU	—	3,782	2,106	59	2,192	8,139
Executive directors						
Mr. Xiaozhong LIU	—	2,202	1,100	91	—	3,393
Mr. Zhaohui ZHANG	—	1,982	1,150	91	—	3,223
Dr. Ning ZHAO	—	1,612	978	—	—	2,590
Non-executive directors						
Mr. Xiaomeng TONG	—	—	—	—	—	—
Dr. Yibing WU	—	—	—	—	—	—
Independent non-executive directors						
Dr. Jiangnan CAI	200	—	—	—	—	200
Dr. Hetong LOU	200	—	—	—	—	200
Mr. Xiaotong ZHANG	200	—	—	—	—	200
Ms. Yan LIU	200	—	—	—	—	200
Mr. Dai FENG	200	—	—	—	—	200
Total	1,000	17,291	15,621	300	2,192	36,404

Note:

(i) Mr. Steve Qing YANG was appointed as Co-CEO of the Company on May 22, 2020.

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

The independent non-executive directors' emoluments shown above were for their services as the directors of the Company.

13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (continued)

Five highest paid individuals' emoluments

The five individuals with the highest emoluments in the Group for the years ended December 31, 2020 include three directors (2019: two directors) disclosed above, details of whose remuneration are set out as above. The emoluments of the remaining two highest paid individuals for the years ended December 31, 2020 (2019: three) were as follows:

	Year ended 31/12/2020 ***RMB'000***	Year ended 31/12/2019 *RMB'000*
Salaries and other benefits	**6,328**	10,196
Performance-based bonus	**6,890**	5,803
Share-based compensation	**9,567**	3,874
Total	**22,785**	19,873

The emoluments of the five highest paid individuals were within the following bands:

	Number of individuals	
	Year ended 31/12/2020	Year ended 31/12/2019
HK$7,000,001 to HK$7,500,000	**—**	1
HK$7,500,001 to HK$8,000,000	**—**	2
HK$9,000,001 to HK$9,500,000	**—**	1
HK$11,500,001 to HK$12,000,000	**1**	—
HK$12,000,001 to HK$12,500,000	**1**	—
HK$12,500,001 to HK$13,000,000	**1**	—
HK$13,000,001 to HK$13,500,000	**1**	—
HK$20,500,001 to HK$21,000,000	**—**	1
HK$22,500,001 to HK$23,000,000	**1**	—
Total	**5**	5

During the year, H shares under 2020 WuXi AppTec H Share Award and Trust Scheme were awarded to two chief executive and executive directors and three executive directors in respect of their services to the Group, further details of which are included in the disclosures in Note 45 to the financial statements. The fair value of these H shares, which has been recognised in the consolidated statement of profit or loss over the lock-up period, was determined as at the date of grant and the amount included in the consolidated financial statements for the current year is included in the above executive directors' remuneration disclosures.

14. EARNINGS PER SHARE

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

	Year ended 31/12/2020 *RMB'000*	Year ended 31/12/2019 *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

	Year ended 31/12/2020	Year ended 31/12/2019
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 years 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 and share option issued by the Company.

The denominator for the purposes of calculating both basic and diluted earnings per share for the years 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.

14. EARNINGS PER SHARE (continued)

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.

15. DIVIDENDS

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

	Year ended 31/12/2020 ***RMB'000***	Year ended 31/12/2019 *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 in an aggregate amount of RMB889,537,000 (2019: RMB556,430,000) (inclusive of tax) to be paid to shareholders on the record date for determining the shareholders' entitlement to 2020 Profit Distribution plan which amounts to a dividend of RMB0.363 (2019: RMB0.337) (inclusive of tax) per ordinary share, 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).

16. PROPERTY, PLANT AND EQUIPMENT

	Building RMB'000	Machinery RMB'000	Furniture, fixtures and equipment RMB'000	Transportation equipment RMB'000	Others RMB'000	Leasehold improvement RMB'000	Construction in progress ("CIP") RMB'000	Total RMB'000
COST								
At January 1, 2019	1,956,699	1,468,947	2,434,158	20,881	4,233	1,374,945	1,526,983	8,786,846
Additions	—	13,186	162,313	62	2,267	3,744	2,109,129	2,290,701
Transfers from CIP	247,230	191,884	765,737	3,571	3,487	309,238	(1,521,147)	—
Transfer to intangible assets	—	—	—	—	—	—	(23,324)	(23,324)
Acquisition of subsidiaries	85,099	960	1,615	355	3,583	2,086	26	93,724
Disposals	(13,460)	(16,591)	(40,273)	(3,616)	(4,175)	(32,088)	—	(110,203)
Effect of foreign currency exchange difference	5	9,072	783	—	14	11,872	—	21,746
At December 31, 2019	2,275,573	1,667,458	3,324,333	21,253	9,409	1,669,797	2,091,667	11,059,490
Additions	**—**	**26,499**	**17,991**	**36**	**—**	**1,111**	**3,426,807**	**3,472,444**
Transfers from CIP	**577,036**	**251,239**	**1,238,464**	**1,932**	**—**	**309,200**	**(2,377,871)**	**—**
Transfer to intangible assets	**—**	**—**	**—**	**—**	**—**	**—**	**(55,181)**	**(55,181)**
Acquisition of a subsidiary	**—**	**29,726**	**538**	**171**	**—**	**3,654**	**693**	**34,782**
Disposals	**(2,296)**	**(24,701)**	**(67,386)**	**(2,964)**	**(1,802)**	**(42,722)**	**—**	**(141,871)**
Effect of foreign currency exchange difference	**(31)**	**(33,964)**	**(2,613)**	**—**	**(58)**	**(58,858)**	**—**	**(95,524)**
At December 31, 2020	**2,850,282**	**1,916,257**	**4,511,327**	**20,428**	**7,549**	**1,882,182**	**3,086,115**	**14,274,140**
DEPRECIATION								
At January 1, 2019	663,806	658,410	1,055,790	14,133	1,602	335,494	—	2,729,235
Provided for the year	118,026	116,594	381,618	2,127	1,829	122,183	—	742,377
Eliminated on disposals	—	(15,164)	(32,881)	(3,246)	(2,014)	(32,088)	—	(85,393)
Effect of foreign currency exchange difference	5	4,295	367	—	8	2,606	—	7,281
At December 31, 2019	781,837	764,135	1,404,894	13,014	1,425	428,195	—	3,393,500
Provided for the year	**155,946**	**120,614**	**457,691**	**2,424**	**1,569**	**132,983**	**—**	**871,227**
Eliminated on disposals	**(692)**	**(22,087)**	**(55,251)**	**(2,643)**	**(835)**	**(6,166)**	**—**	**(87,674)**
Effect of foreign currency exchange difference	**(29)**	**(25,000)**	**(1,201)**	**—**	**(36)**	**(13,709)**	**—**	**(39,975)**
At December 31, 2020	**937,062**	**837,662**	**1,806,133**	**12,795**	**2,123**	**541,303**	**—**	**4,137,078**
Carrying Value								
At December 31, 2019	1,493,736	903,323	1,919,439	8,239	7,984	1,241,602	2,091,667	7,665,990
At December 31, 2020	**1,913,220**	**1,078,595**	**2,705,194**	**7,633**	**5,426**	**1,340,879**	**3,086,115**	**10,137,062**

16. PROPERTY, PLANT AND EQUIPMENT (continued)

The above items of property, plant and equipment except for construction in progress are depreciated on a straight-line basis after taking into account of the residual value as follows:

Building	4.5%–20% per annum
Machinery	9%–20% per annum
Furniture, fixtures and equipment	12.86%–20% per annum
Transportation equipment	9%–20% per annum
Others	18%–32% per annum
Leasehold improvement	over the shorter of the lease term or the expected useful life

17. RIGHT-OF-USE ASSETS

	Leasehold lands *RMB'000*	Land and buildings *RMB'000*	Total *RMB'000*
As at January 1, 2020			
Carrying amount	**422,163**	**1,142,275**	**1,564,438**
As at December 31, 2020			
Carrying amount	**412,345**	**1,107,519**	**1,519,864**
For the year ended December 31, 2020			
Depreciation charge	**(9,819)**	**(185,736)**	**(195,555)**
Expense relating to short-term leases and other leases with lease terms end within 12 months of the date of initial application of IFRS 16			**8,878**
Expense relating to leases of low-value assets, excluding short-term leases of low value assets			**336**
Total cash outflow for leases (Note)			**243,025**
Additions to right-of-use assets			**177,400**

Note:

Amount includes payments of principal and interest portion of lease liabilities, short-term leases, low value assets and payments of lease payments on or before lease commencement date. These amounts could be presented in operating, investing or financing cash flows.

17. RIGHT-OF-USE ASSETS (continued)

Note: (continued)

The Group leases various offices for its operations. Lease contracts are entered into for fixed term of 1 year to 58 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group regularly entered into short-term leases for warehouse rental fee and property management fee. As at 31 December 2020, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

The amounts of the Group's lease liabilities and interest expense on lease liabilities are disclosed in Note 37 and Note 10, respectively. For the year ended 31 December 2020, the lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

18. GOODWILL

	31/12/2020 ***RMB'000***	31/12/2019 *RMB'000*
COST		
At the beginning of year	**1,462,713**	1,243,717
Effect of foreign currency exchange difference	**(34,918)**	8,198
Acquisition of subsidiaries (Note 44)	**105,513**	210,798
At the end of year	**1,533,308**	1,462,713
IMPAIRMENT		
At the beginning of year	**100,537**	99,641
Impairment loss recognised in the year	**44,346**	—
Effect of foreign currency exchange difference	**(3,334)**	896
At the end of year	**141,549**	100,537
CARRYING VALUES		
At the end of year	**1,391,759**	1,362,176

Particulars regarding impairment assessment on goodwill are disclosed in Note 20.

19. OTHER INTANGIBLE ASSETS

	Trademark RMB'000	Software and others RMB'000	Customer relationship RMB'000	Patent and proprietary technology RMB'000	Total RMB'000
COST					
At January 1, 2019	37,642	165,952	343,076	61,000	607,670
Additions	—	28,037	—	—	28,037
Acquisition of subsidiaries	—	7,589	66,232	84,051	157,872
Transfer from CIP	—	23,324	—	—	23,324
Disposals	—	(1,008)	—	—	(1,008)
Effect of foreign currency exchange difference	535	541	3,484	123	4,683
At December 31, 2019	38,177	224,435	412,792	145,174	820,578
AMORTIZATION					
At January 1, 2019	6,002	90,454	53,980	11,712	162,148
Charge for the year	1,733	32,638	19,501	8,853	62,725
Eliminated on disposals	—	(349)	—	—	(349)
Effect of foreign currency exchange difference	50	554	673	—	1,277
At December 31, 2019	7,785	123,297	74,154	20,565	225,801
IMPAIRMENT					
At January 1, 2019	18,683	—	78,890	—	97,573
Effect of foreign currency exchange difference	31	—	1,299	—	1,330
At December 31, 2019	18,714	—	80,189	—	98,903
CARRYING VALUES					
At January 1, 2019	12,957	75,498	210,206	49,288	347,949
At December 31, 2019	11,678	101,138	258,449	124,609	495,874

19. OTHER INTANGIBLE ASSETS (continued)

	Trademark RMB'000	Software and others RMB'000	Customer relationship RMB'000	Patent and proprietary technology RMB'000	Total RMB'000
COST					
At January 1, 2020	38,177	224,435	412,792	145,174	820,578
Additions	—	4,824	—	—	4,824
Acquisition of subsidiaries	—	32	—	111,000	111,032
Transfer from CIP	—	55,181	—	—	55,181
Disposals	—	(2,572)	—	—	(2,572)
Effect of foreign currency exchange difference	(2,034)	(4,128)	(14,875)	(722)	(21,759)
At December 31, 2020	36,143	277,772	397,917	255,452	967,284
AMORTIZATION					
At January 1, 2020	7,785	123,297	74,154	20,565	225,801
Charge for the year	1,735	30,120	24,670	12,667	69,192
Eliminated on disposals	—	(2,265)	—	—	(2,265)
Effect of foreign currency exchange difference	(250)	(67)	(2,993)	(216)	(3,526)
At December 31, 2020	9,270	151,085	95,831	33,016	289,202
IMPAIRMENT					
At January 1, 2020	18,714	—	80,189	—	98,903
Eliminated on disposals	—	—	—	—	—
Effect of foreign currency exchange difference	(952)	—	(5,188)	—	(6,140)
At December 31, 2020	17,762	—	75,001	—	92,763
CARRYING VALUES					
At December 31, 2020	9,111	126,687	227,085	222,436	585,319
At December 31, 2019	11,678	101,138	258,449	124,609	495,874

19. OTHER INTANGIBLE ASSETS (continued)

The above intangible assets have finite useful lives. Such intangible assets are amortized on a straight-line basis over the following periods:

Items	Periods
Trademark	10–30 years
Software and others	5 years
Customer relationship	10–15 years
Patent and proprietary technology	5–18 years

20. IMPAIRMENT ASSESSMENT ON GOODWILL

The cash flows generated from each subsidiary acquired are independent from those of the other subsidiaries of the Group. Therefore, each of these acquired subsidiaries is a separate cash-generating unit. Management of the Group considered that the synergies arising from each acquisition mainly benefited the corresponding acquired subsidiary. Therefore, for the purposes of impairment assessment, goodwill set out in Note 18 has been allocated to corresponding subsidiaries acquired (ten individual cash generating units (CGUs)), comprising Unit A-DMPK/ADME Services (XenoBiotic Laboratories, Inc), Unit B-SMO Services (Shanghai MedKey Med-Tech Development Co., Ltd), Unit C-Cell and Gene Therapies Services and Medical Device Testing Services ("WuXi AppTec, Inc"), Unit D-Structure-based Drug Discovery Services (Crelux GmbH), Unit E-Test Analysis-Drug Evaluation and Test (HD Biosciences Co., Ltd.), Unit F-Clinical Research Services (Wuxi Clinic Development, Inc), Unit G-Statistical Analysis of Clinical Research Data Services (Pharmapace, Inc), Unit H-Laboratory-used Biological Assets Cultivation Business (Suzhou Kanglu Biotechnology Co., Ltd.), Unit I-Lab CRO Services (Abgent Inc.) and Unit J-Drug Quality Analysis and Production Release Solution Business (Nanjing Milestone Pharma Co., Ltd.). The carrying amounts of goodwill allocated to these units are as follows:

	31/12/2020 ***RMB'000***	31/12/2019 *RMB'000*
Unit A (Note 1)	**37,168**	81,757
Unit B	**933**	932
Unit C (Note 1)	**156,308**	167,120
Unit D	**30,052**	32,130
Unit E	**688,722**	688,722
Unit F (Note 1)	**167,934**	179,550
Unit G (Note 1)	**98,829**	105,665
Unit H	**106,300**	106,300
Unit I (Note 2)	**—**	—
Unit J	**105,513**	—
	1,391,759	1,362,176

Note 1: At December 31, 2020, the carrying amount of goodwill derived from the investments in the United States is RMB460,239,000.

Note 2: The Group had recognized full impairment loss in relation to goodwill in Unit I in 2016.

20. IMPAIRMENT ASSESSMENT ON GOODWILL (continued)

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarized below:

		Unit A	Unit B	Unit C	Unit D	Unit E	Unit F	Unit G	Unit H	Unit J
2019	Growth rate	3%	3%	3%	3%	3%	3%	3%	—	—
	Discount rate	21%	14%	16%	14%	14%	14%	16%	13%	—
2020	**Growth rate**	**3%**	**3%**	**3%**	**3%**	**3%**	**3%**	**3%**	**3%**	**2%**
	Discount rate	**21%**	**13%**	**16%**	**14%**	**14%**	**14%**	**17%**	**13%**	**17%**

The recoverable amounts of these units have been determined based on a value in use ("VIU") calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development.

The Group has recognised impairment loss of RMB44,346,000 in relation to goodwill in Unit A for the year ended December 31, 2020 as the carrying amount of this CGU was higher than their recoverable amounts (No impairment loss in relation to goodwill is recognised for the year ended December 31, 2019).

The management of the Group assessed that any reasonably possible change in any of these assumptions would not cause the carrying amounts of Unit B, C, D, E, F, G, H and J to exceed their respective recoverable amounts as at December 31, 2020. No impairment loss in relation to goodwill in Unit B, C, D, E, F, G, H and J is recognised for the year ended December 31, 2020.

21. INTERESTS IN ASSOCIATES

	31/12/2020	31/12/2019
	RMB'000	*RMB'000*
At the beginning of the year	**768,292**	618,736
Addition (Note)	**73,881**	126,220
Share of post-acquisition gains	**(76,833)**	18,589
Dividends	**(2,075)**	(11,487)
Exchange effect	**(50,928)**	16,234
At the end of the year	**712,337**	768,292

Note:

In February 2016, the Group entered into a transfer agreement with WuXi PharmaTech, pursuant to which, WuXi PharmaTech transferred its limited partnership interest in WuXi Healthcare Ventures II L.P. ("Fund II") to the Group at a consideration of USD24,000,000 (equivalent to RMB166,680,000). Fund II is a Cayman Islands Exempted Limited Partnership. The primary purpose of Fund II is to make capital investments, primarily in privately-owned life sciences companies.

21. INTERESTS IN ASSOCIATES (continued)

Note: (continued)

According to the limited partnership agreement, the capital contribution by the Group was made in installments. The Group injected USD3,000,000 (equivalent to RMB20,920,000) to the Fund II during the year ended December 31, 2020 (2019: RMB37,282,000).

Details of each of the Group's associates at the end of the reporting period are as follow:

Name of entity	Country of incorporation/ registration	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activity
		December 31, 2020	December 31, 2019	**December 31, 2020**	December 31, 2019	
Jing Medicine Technology (Shanghai), Ltd.	PRC	**33.33%**	33.33%	**33.33%**	33.33%	Consulting services in pharmaceutical science and technology
PhageLux Inc.	Cayman	**29.78%**	29.78%	**29.78%**	29.78%	Research on new antibacterial agents
Fund II (Note i)	Cayman	**17.31%**	17.31%	**17.31%**	17.31%	Investment platform
PICA Health Technologies Limited	Cayman	**32.78%**	35.80%	**32.78%**	35.80%	Investment holding company
Clarity Medical Group Limited	Cayman	**20%**	20%	**20%**	20%	Professional ophthalmic services
VW Clinical Innovations Limited	Hong Kong	**33.33%**	33.33%	**33.33%**	33.33%	E-Clinical technology company
JW (Cayman) Therapeutics Co Ltd ("JW Cayman") (Note ii)	Cayman	**N/A**	21.32%	**N/A**	21.32%	CAR-T cell therapy R&D

Notes:

(i) The Group is able to exercise significant influence over Fund II because two of five general partners of Fund II are appointed by the Group who manage the funds' day to day investment and disposition activities on behalf of the fund under the Article of Association of Fund II.

(ii) During the current year, the Group lost its significant influence on JW Cayman and evaluated that JW Cayman was no longer its associate. As at December 31, 2020, the Group held 9.86% equity interests in JW Cayman and the investment was transferred to financial assets at FVTPL.

No additional disclosure of financial information of associates as there is no individually material associate.

21. INTERESTS IN ASSOCIATES (continued)

Aggregate information of associates that are not individually material

	31/12/2020 RMB'000	31/12/2019 RMB'000
The Group's share of (loss)/profit from continuing operations	**(76,833)**	18,589
The Group's share of other comprehensive (expense)/income	**(50,928)**	16,234
The Group's share of total comprehensive (expense)/income	**(127,761)**	34,823
Aggregate carrying amount of the Group's interests in these associates	**712,337**	768,292

22. INTERESTS IN JOINT VENTURES

	31/12/2020 RMB'000	31/12/2019 RMB'000
At the beginning of the year	**25,215**	36,822
Addition	**41,511**	26,455
Share of post-acquisition losses	**(13,919)**	(39,306)
Exchange effect	**(311)**	1,244
At the end of the year	**52,496**	25,215

These interests in joint ventures are assessed for impairment loss at the end of each reporting period. No impairment loss was recognised during the reporting period for these interests in joint ventures as their present value of the estimated future cash flows discounted at the current market rate of return for similar assets exceed their carrying values.

22. INTERESTS IN JOINT VENTURES (continued)

Details of each of the Group's joint ventures at the end of the reporting period are as follows:

Name of entity	Country of incorporation/ registration	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activity
		December 31, 2020	December 31, 2019	**December 31, 2020**	December 31, 2019	
WuXi MedImmune Biopharmaceutical Co. Limited	Hong Kong	**50%**	50%	**50%**	50%	Investment holding company
Shanghai Waigaoqiao WuXi AppTec Incubator Management Co., Ltd.	PRC	**70%**	70%	**50%**	50%	Property leasing of medicine innovation industrial park
CW Data Technologies (Chengdu) Limited	PRC	**47.06%**	47.06%	**50%**	50%	Data analysis
Faxian Therapeutics, LLC	USA	**50%**	50%	**50%**	50%	Accelerated Drug Discovery

No additional disclosure of financial information of joint ventures as there is no individually material joint venture.

Aggregate information of joint ventures that are not individually material

	31/12/2020 ***RMB'000***	31/12/2019 *RMB'000*
The Group's share of loss from continuing operations	**(13,919)**	(39,306)
The Group's share of other comprehensive (expense) income	**(311)**	1,244
The Group's share of total comprehensive expense	**(14,230)**	(38,062)
Aggregate carrying amount of the Group's interests in these joint ventures	**52,496**	25,215

23. DEFERRED TAXATION

For the purpose of presentation in the consolidated statements of financial position, certain deferred tax assets and liabilities have been offset. The following is a summary of the deferred tax balances for financial reporting purposes:

	31/12/2020 *RMB'000*	31/12/2019 *RMB'000*
Deferred tax assets	**300,901**	262,215
Deferred tax liabilities	**(282,987)**	(231,098)
	17,914	31,117

23. DEFERRED TAXATION (continued)

	Deferred Assets									Deferred Liabilities						
	Tax losses RMB'000	Impairment allowance RMB'000	Share-based payment RMB'000	Accrual expenses RMB'000	Deferred income RMB'000	Deferred rent RMB'000	Depreciation difference RMB'000	Derivative financial instruments RMB'000	Others RMB'000	Intangible assets arising from acquisition of subsidiaries RMB'000	Depreciation difference RMB'000	Financial assets at FVTPL RMB'000	Biological assets FV Change RMB'000	Derivative financial instruments RMB'000	Others RMB'000	Total RMB'000
At January 1, 2019	26,301	7,259	13,531	12,147	28,050	7,306	164,951	15,420	8,374	(50,632)	(94,037)	—	—	—	(242)	138,428
Adoption of IFRS 16	—	—	—	—	—	(7,336)	—	—	—	—	—	—	—	—	—	(7,336)
Credit (charge) to profit or loss	18,791	5,352	10,701	(2,997)	34,716	—	(11,467)	777	2,893	7,987	(26,716)	(1,213)	(763)	—	(521)	37,540
Credit to OCI	—	—	—	—	—	—	—	(10,613)	—	—	—	—	—	—	—	(10,613)
Acquisitions of subsidiaries	—	—	—	—	—	—	—	—	(1,233)	(99,945)	—	—	—	—	—	(101,178)
Exchange differences	144	754	55	78	—	30	—	53	(1,170)	(2,248)	(1,755)	—	—	—	(266)	(4,325)
Effect of change in tax rate	(1,510)	3	(53)	(1)	(4,914)	—	(14,916)	(1)	4	(1)	(2)	—	—	—	(8)	(21,399)
At December 31, 2019	43,726	13,368	24,234	9,227	57,852	—	138,568	5,636	8,868	(144,839)	(122,510)	(1,213)	(763)	—	(1,037)	31,117
Credit (charge) to profit or loss	**39,564**	**3,194**	**104,428**	**9,399**	**9,282**	**—**	**(11,059)**	**(134)**	**18,393**	**70,458**	**(47,351)**	**(20,207)**	**(85,134)**	**1,871**	**83**	**92,787**
Credit to OCI	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(5,455)**	**—**	**—**	**—**	**—**	**—**	**(86,809)**	**—**	**(92,264)**
Acquisitions of subsidiaries	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(16,533)**	**—**	**—**	**—**	**—**	**—**	**(16,533)**
Exchange differences	**(2,052)**	**(151)**	**(1,155)**	**(1,052)**	**—**	**—**	**(20)**	**(24)**	**(1,942)**	**2,584**	**6,651**	**—**	**—**	**—**	**51**	**2,890**
Effect of change in tax rate	**—**	**(3)**	**(140)**	**—**	**—**	**—**	**60**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(83)**
At December 31, 2020	**81,238**	**16,408**	**127,367**	**17,574**	**67,134**	**—**	**127,549**	**23**	**25,319**	**(88,330)**	**(163,210)**	**(21,420)**	**(85,897)**	**(84,938)**	**(903)**	**17,914**

23. DEFERRED TAXATION (continued)

Balances of deductible temporary differences and unused tax losses for which no deferred tax assets have been recognised due to the unpredictability of future profits stream are as follows:

	31/12/2020 RMB'000	31/12/2019 RMB'000
Accrual expenses	**575**	—
Impairment allowance	**622**	420
Share-based payment	**15,586**	—
Tax losses	**418,232**	246,084
	435,015	246,504

The Group had unrecognised tax losses of and RMB418,232,000 as at December 31, 2020 (December 31, 2019: RMB246,084,000). These tax losses will be carried forward and expire in years as follows:

	31/12/2020 RMB'000	31/12/2019 RMB'000
2020	**—**	5,266
2021	**1,586**	4,417
2022	**7,140**	15,898
2023	**11,361**	27,117
2024	**17,012**	21,238
2025 and later	**301,953**	15,958
No expiry date	**79,180**	156,190
	418,232	246,084

At the end of each of the reporting period, no deferred tax liability has been recognised in respect of the temporary differences associated with undistributed earnings of oversea subsidiaries because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

24. OTHER NON-CURRENT ASSETS

	31/12/2020 RMB'000	31/12/2019 RMB'000
Rental deposits	**40,727**	33,571
Prepaid expenses (non-current)	**16,644**	12,231
Certificates of deposits	**1,320,247**	—
Others	**17,976**	16,589
	1,395,594	62,391

25. BIOLOGICAL ASSETS

Nature of the Group's agricultural activities

The biological assets of the Group are cynomolgous non-human primates, including cynomolgous monkeys for CRO experiment, which are classified as current assets and cynomolgous monkeys for breeding, which are classified as non-current assets of the Group.

Carrying value of the Group's biological assets

	Cynomolgous monkeys for breeding RMB'000	Cynomolgous monkeys for experiment RMB'000	Total RMB'000
Carrying value at January 1, 2020	**360,254**	**353,964**	**714,218**
Add: Purchases	**—**	**47,479**	**47,479**
Breeding costs	**—**	**12,637**	**12,637**
Decrease due to mortality	**(14,605)**	**(3,440)**	**(18,045)**
Decrease due to sales	**—**	**(908)**	**(908)**
Decrease due to experiments	**—**	**(126,542)**	**(126,542)**
Gain arising from changes in fair value less costs to sell of biological assets	**81,652**	**210,066**	**291,718**
Transfer among group of monkeys	**(8,432)**	**8,432**	**—**
Carrying value at December 31, 2020	**418,869**	**501,688**	**920,557**

25. BIOLOGICAL ASSETS (continued)

Analysed for reporting purposes as:

	31/12/2020 RMB'000
Current	**501,688**
Non-current	**418,869**
Total	**920,557**

Fair value measurement

The Group's biological assets were valued by Shanghai Orient Appraisal Co., Ltd. ("Shanghai Orient"), a firm of independent qualified professional valuers unrelated to the Group. The fair value less costs to sell of biological assets are determined as follows:

Fair value hierarchy	Valuation technique	Inputs	Relationship of unobservable inputs to fair value
Level 3	Market approach — sales comparison method	Recent trading price and adjustment factors based on the characteristics of the biological assets (including age information, species, health status and etc.).	The higher adjustment factors, the higher the fair value.

Changes in fair value less costs to sell of biological assets include changes in the fair value of the monkeys at the end of each reporting period.

26. INVENTORIES

	31/12/2020 RMB'000	31/12/2019 RMB'000
Raw material and consumables	**550,737**	422,351
Work in progress	**736,412**	461,455
Finished goods	**646,677**	324,514
	1,933,826	1,208,320

The inventories are net of a write-down of approximately RMB31,432,000 as at December 31, 2020 (December 31, 2019: RMB13,137,000).

27. CONTRACT COSTS

	31/12/2020 RMB'000	31/12/2019 RMB'000
Costs to fulfill contracts	**250,345**	180,201

28. TRADE AND OTHER RECEIVABLES/CONTRACT ASSETS

28.1 Trade and other receivables

	31/12/2020 RMB'000	31/12/2019 RMB'000
Trade receivables		
— third parties	**3,686,070**	2,994,427
Less: Allowance for credit losses	**(77,385)**	(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 RMB'000	31/12/2019 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

28. TRADE AND OTHER RECEIVABLES/CONTRACT ASSETS (continued)

28.1 Trade And Other Receivables (continued)

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. Details of impairment assessment of trade and other receivables are set out in Note 29.

28.2 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.

29. OVERVIEW OF THE GROUP'S EXPOSURE TO CREDIT RISK

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. At the end of each reporting period, the Group's maximum exposure to credit risk which cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of the financial position.

Credit terms are granted to customers who are in good credit reputation. In order to minimize the credit risk, the Group reviews the recoverable amount of each individual trade debt periodically and the management also has monitoring procedures to ensure the follow-up action is taken to recover overdue debts. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

In order to minimize credit risk, the Group has also tasked its finance team to develop and maintain the Group's credit risk grading to categorize exposures according to their degree of risk of default. Management uses publicly available financial information and the Group's own historical repayment records to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

At December 31, 2020, the Group had concentration of credit risk as 19.29% (December 31, 2019: 16.57%) of the total gross trade receivables (including those contract assets and amounts due from related parties of trade nature) was due from the five largest customers.

The aggregate carrying amount of the Group's trade receivables, contract assets and amounts due from related parties of trade nature as at December 31, 2020 is RMB4,286,874,000 (December 31, 2019: RMB3,386,327,000).

29. OVERVIEW OF THE GROUP'S EXPOSURE TO CREDIT RISK (continued)

For trade receivables, contract assets and amounts due from related parties of trade nature under IFRS 9, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on these items by using a provision matrix and categorizes its customers into three types: strategic type customers, normal risk type customers, and high risk type customers, based on the reputation, external credit rating, financial quality of debtors and historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions.

The following table details the risk profile of trade receivables, contract assets and amounts due from related parties of trade nature:

High risk type customers

	At December 31, 2020	At December 31, 2019
Weighted average expected credit loss rate	**100.00%**	100.00%
Total carrying amount (RMB'000)	**14,615**	4,272
Lifetime ECL (RMB'000)	**(14,615)**	(4,272)
	—	—

Strategic type customers

	At December 31, 2020	At December 31, 2019
Weighted average expected credit loss rate	**0.37%**	0.76%
Total carrying amount (RMB'000)	**2,666,471**	2,389,690
Lifetime ECL (RMB'000)	**(9,889)**	(18,221)
	2,656,582	2,371,469

29. OVERVIEW OF THE GROUP'S EXPOSURE TO CREDIT RISK (continued)

Normal risk type customers

	At December 31, 2020	At December 31, 2019
Weighted average expected credit loss rate	**3.46%**	4.83%
Total carrying amount (RMB'000)	**1,605,788**	992,365
Lifetime ECL (RMB'000)	**(55,627)**	(47,895)
	1,550,161	944,470

Carrying amount of trade receivables and amounts due from related parties of trade nature by ECL stages

At December 31, 2020

	Lifetime ECL (not credit impaired) ***RMB'000***	**Lifetime ECL (credit impaired)** ***RMB'000***	**Total** ***RMB'000***
Weighted average expected credit loss rate	**1.23%**	**16.62%**	**2.07%**
Total carrying amount (RMB'000)	**3,539,079**	**203,096**	**3,742,175**
Lifetime ECL (RMB'000)	**(43,633)**	**(33,752)**	**(77,385)**
	3,495,446	**169,344**	**3,664,790**

At December 31, 2019

	Lifetime ECL (not credit impaired) *RMB'000*	Lifetime ECL (credit impaired) *RMB'000*	Total *RMB'000*
Weighted average expected credit loss rate	1.79%	25.07%	2.25%
Total carrying amount (RMB'000)	2,944,915	59,200	3,004,115
Lifetime ECL (RMB'000)	(52,733)	(14,839)	(67,572)
	2,892,182	44,361	2,936,543

29. OVERVIEW OF THE GROUP'S EXPOSURE TO CREDIT RISK (continued)

Carrying amount of contract assets by ECL stages

At December 31, 2020

	Lifetime ECL (not credit impaired) *RMB'000*	Lifetime ECL (credit impaired) *RMB'000*	Total *RMB'000*
Weighted average expected credit loss rate	**0.42%**	**100.00%**	**0.50%**
Total carrying amount (RMB'000)	**544,220**	**479**	**544,699**
Lifetime ECL (RMB'000)	**(2,267)**	**(479)**	**(2,746)**
	541,953	**—**	**541,953**

At December 31, 2019

	Lifetime ECL (not credit impaired) *RMB'000*	Lifetime ECL (credit impaired) *RMB'000*	Total *RMB'000*
Weighted average expected credit loss rate	0.47%	100.00%	0.74%
Total carrying amount (RMB'000)	381,195	1,017	382,212
Lifetime ECL (RMB'000)	(1,799)	(1,017)	(2,816)
	379,396	—	379,396

29. OVERVIEW OF THE GROUP'S EXPOSURE TO CREDIT RISK (continued)

Carrying amount of contract assets by ECL stages (continued)

Movement in lifetime ECL that has been recognised for trade receivables and contract assets in accordance with the simplified approach set out in IFRS 9 at December 31, 2020 and 2019.

	Trade receivables (non-credit impaired) *RMB'000*	Trade receivables (credit impaired) *RMB'000*	Contract assets (non-credit impaired) *RMB'000*	Contract assets (credit-impaired) *RMB'000*	Total *RMB'000*
At December 31, 2018	(15,782)	(16,571)	(5,339)	(1,198)	(38,890)
— Impairment losses (recognized) reversed	(43,702)	(3,164)	3,701	—	(43,165)
— Transfers	7,808	(7,808)	(181)	181	—
— Write-offs	—	12,704	—	—	12,704
— Exchange adjustment	(1,057)	—	20	—	(1,037)
At December 31, 2019	(52,733)	(14,839)	(1,799)	(1,017)	(70,388)
— Impairment losses (recognized) reversed	**(12,009)**	**(650)**	**(506)**	**538**	**(12,627)**
— Transfers	**145**	**(145)**	**—**	**—**	**—**
— Write-offs	**—**	**1,498**	**—**	**—**	**1,498**
— Exchange adjustment	**1,348**	**—**	**(38)**	**—**	**(1,386)**
At December 31, 2020	**(63,249)**	**(14,136)**	**(2,267)**	**(479)**	**(80,131)**

29. OVERVIEW OF THE GROUP'S EXPOSURE TO CREDIT RISK (continued)

Movement in ECL

The Group's current credit risk grading framework comprises the following categories:

Category	Description	Customer category	Trade receivables/ contract assets	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past due amounts.	Strategic	Lifetime ECL — not credit-impaired	12-months ECL
Watch list	Debtors frequently repays after due date but usually settle after due date	Normal risk	Lifetime ECL — not credit-impaired	12-months ECL
Doubtful	There has been a significant increase in credit risk since initial recognition through information developed internally or external resources	Normal risk	Lifetime ECL — not credit-impaired	Lifetime ECL — not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	High risk	Lifetime ECL — credit-impaired	Lifetime ECL — credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	High risk	Amount is written off	Amount is written off

For the purposes of impairment assessment, other receivables and amounts due from related parties of non-trade nature are considered to have low credit risk as the counterparties to these financial assets are mainly related parties and other parties with good reputation. Accordingly, for the purpose of impairment assessment for these financial assets, the loss allowance is measured at an amount equal to 12-months ECL. In determining the ECL for other receivables and amounts due from related parties of non-trade nature, the directors of the Company have taken into account the historical default experience and the future prospects of the industries and/or considering various external sources of actual and forecast economic information, as appropriate, in estimating the probability of default of each of the other receivables occurring within their respective loss assessment time horizon, as well as the loss upon default in each case. The directors of the Company considered that the 12-months ECL allowance is insignificant at the end of each reporting period.

The Group also expects that there is no significant credit risk associated with pledged bank deposits and cash deposits at banks since they are substantially deposited at state-owned banks and other medium or large-sized listed banks. The management of the Group does not expect that there will be any significant losses from non-performance by these counterparties. The credit risk on notes receivable is also assessed as limited because the counterparties are reputable banks with high credit ratings assigned by national credit agencies.

30. FINANCIAL ASSETS AT FVTPL

	31/12/2020 RMB'000	31/12/2019 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

	31/12/2020 RMB'000	31/12/2019 RMB'000
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

Notes:

(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.

31. 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 letter of guarantee.

32. DERIVATIVE FINANCIAL INSTRUMENTS

	31/12/2020 *RMB'000*	31/12/2019 *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 *USD'000*	Fair value assets as at December 31, 2020 *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**

32. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Derivatives under hedge accounting (continued)

	Average strike rate as at December 31, 2020	Notional value as at December 31, 2020 USD'000	Fair value liabilities as at December 31, 2020 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 USD'000	Fair value assets as at December 31, 2020 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 December 31, 2020		
	Fair value change of derivative financial instruments recognised in other comprehensive income RMB'000	Reclassification from other comprehensive income into profit or loss RMB'000	Profit or loss items
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)	

32. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Derivatives under hedge accounting (continued)

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.

33. 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 (Note 45)	**557,168**	681,612
	4,550,334	3,392,829

33. TRADE AND OTHER PAYABLES (continued)

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 *RMB'000*	31/12/2019 *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

34. CONTRACT LIABILITIES

	31/12/2020 *RMB'000*	31/12/2019 *RMB'000*
Amounts received in advance for delivery of services	**1,580,980**	897,140

Revenue of RMB617,320,000 was recognised during the year ended December 31, 2020 (December 31, 2019: RMB540,717,000) that was included in the contract liabilities at the beginning of the relevant year.

35. DEFERRED INCOME

	31/12/2020 *RMB'000*	31/12/2019 *RMB'000*
Government grants related to property, plant and equipment (Note i)	**672,413**	658,510
Other subsidies (Note ii)	**9,622**	8,872
	682,035	667,382

Notes:

i. The Group received government grants for capital expenditure incurred for the acquisition of plant and machines. The amounts are deferred and amortized over the estimated useful lives of the respective assets.

ii. Other subsidies are generally provided in relation to the research and development activities of the Group. The grants were recognised in profit or loss as other income upon the Group complied with the conditions attached to the grants and the government acknowledged acceptance.

36. BORROWINGS

	31/12/2020 *RMB'000*	31/12/2019 *RMB'000*
Analyzed as:		
Unsecured and guaranteed	**10,000**	—
Secured and unguaranteed (Note i)	**300,000**	95,000
Unsecured and unguaranteed	**920,011**	2,477,257
	1,230,011	2,572,257

	31/12/2020 *RMB'000*	31/12/2019 *RMB'000*
Analyzed as:		
Fixed interest rate	**305,000**	1,253,000
Variable interest rate	**925,011**	1,319,257
	1,230,011	2,572,257

	31/12/2020 *RMB'000*	31/12/2019 *RMB'000*
Analyzed as:		
Borrowings from banks	**1,230,011**	2,557,257
Borrowings from other entities	**—**	15,000
	1,230,011	2,572,257

36. BORROWINGS (continued)

	31/12/2020 RMB'000	31/12/2019 RMB'000
The carrying amounts of the above borrowings are repayable:		
Within one year	**1,230,011**	1,809,857
Within a period of more than one year, but not exceeding two years	**—**	622,600
Within a period of more than two years but not exceeding five years	**—**	139,800
	1,230,011	2,572,257
Less: Amounts due within one year shown under current liabilities	**(1,230,011)**	(1,809,857)
Amounts shown under non-current liabilities	**—**	762,400

The ranges of effective interest rates on the Group's fixed and variable-rate borrowings are as follows:

	31/12/2020	31/12/2019
Effective interest rate:		
Fixed rate borrowings	**2.40% to 4.35%**	3.30% to 3.92%
Variable rate borrowings	**0.74% to 3.90%**	3.55% to 6.18%

Note:

(i) As of December 31, 2020, Letters of credit issued by STA were pledged to secure the borrowings of RMB300 million for Changzhou SynTheAll Pharmaceutical Co., Ltd. (both are subsidiaries of the Group).

37. LEASE LIABILITIES

	31/12/2020 RMB'000
Lease liabilities payable:	
Within one year	**177,436**
Within a period of more than one year but not more than five years	**591,286**
Within a period of more than five years	**475,817**
	1,244,539
Less: Amount due for settlement with 12 months shown under current liabilities	**(177,436)**
Amount due for settlement after 12 months shown under non-current liabilities	**1,067,103**

Lease obligations that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	USD RMB equivalent'000
As at December 31, 2020	**731,831**

38. OTHER LONG-TERM LIABILITIES

	31/12/2020 RMB'000	31/12/2019 RMB'000
Payable for acquisition of subsidiaries (Note i)	**176,945**	147,221
Long-term tax payable (Note ii)	**42,122**	84,565
Others	**50**	26
	219,117	231,812

Notes:

i. In November 2019, the Group acquired a subsidiary at a cash consideration of RMB803,838,000 as detailed in Note 44. Amount of RMB147,221,000 will be paid in 3 years after the signing of contract. The payables are measured at amortized cost with imputed interest of 4.30% per annum.

   In September 2020, the Group acquired a subsidiary at a cash consideration of RMB191,420,000 as detailed in Note 44. Amount of RMB16,142,000 will be paid in 2 years after the signing of contract.

ii. Shanghai SynTheAll Pharmaceutical Co., Ltd., a subsidiary of the Group, issued ordinary shares of STA to WuXi AppTec (Shanghai) Co., Ltd ("WXAT Shanghai") to purchase all assets and liabilities of pharmaceutical development services division ("PDS") department of WXAT Shanghai in July 2017. WXAT Shanghai recognised RMB1,404,062,000 gain from the intra group transaction, which is taxable and can be paid in 5-year installment according to the relevant tax regulations.

39. 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$111.80 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. Such price has been adjusted to HK$79.85 in 2020 as a result of share premium transferred to share capital which is detailed in Note 41.

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.

39. CONVERTIBLE BONDS (continued)

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.

40. FINANCIAL LIABILITIES AT FVTPL

	At December 31, 2020 ***RMB'000***	At December 31, 2019 *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.

41. SHARE CAPITAL/TREASURY SHARES

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**
Issue of H shares under the placement	**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.

41. SHARE CAPITAL/TREASURY SHARES (continued)

Treasury Shares

	RMB'000
At December 31, 2018 and January 1, 2019	285,989
Issue of restricted A shares under the 2018 & 2019 WuXi AppTec A Share Incentive Scheme	435,396
Repurchase and cancellation of restricted A shares	(12,305)
Effects of payments of dividend	(3,263)
At December 31, 2019 and January 1, 2020	**705,817**
Issue of restricted A shares under the 2019 WuXi AppTec A Share Incentive Scheme	**15,555**
Repurchase and cancellation of restricted A shares	**(28,232)**
2018 WuXi AppTec A Share Incentive Scheme first Batch Restricted Shares Tranche one vested	**(106,383)**
Repurchase of H shares under 2020 H Share Awards	**609,786**
Effects of payments of dividend	**(6,622)**
At December 31, 2020	**1,189,921**

42. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concern while maximizing the return to shareholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged throughout the reporting period.

The capital structure of the Group consists of debts, which includes borrowings and non-trade nature amounts due to related parties, Convertible Bonds, net of bank balances and cash and equity attributable to owners of the Company, comprising share capital and reserves.

The management of the Group regularly reviews the capital structure on a continuous basis taking into account the cost of capital and the risk associated with the capital. The Group will balance its overall capital structure through the payment of dividends and new shares issues as well as the issue of new debts and redemption of existing debts.

43. FINANCIAL INSTRUMENTS

Categories of financial instruments

	31/12/2020 RMB'000	31/12/2019 RMB'000
Financial assets		
Financial assets at FVTPL	**11,897,756**	5,747,474
Financial assets at amortized cost	**13,926,544**	8,203,690
	25,824,300	13,951,164
Financial liabilities		
Financial liabilities at FVTPL	**1,599,427**	428,619
Financial liabilities measured at amortized cost	**7,494,607**	8,425,525
	9,094,034	8,854,144

Financial risk management objectives and policies

The Group's major financial assets and liabilities include financial assets at FVTPL, trade and other receivables, amounts due from related parties, pledged bank deposits, bank balances and cash, certificates of deposits, trade and other payables, amounts due to related parties, derivative financial instruments, and borrowings. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

The Group's activities expose it primarily to currency risk, interest rate risk and other price risk. There has been no change in the Group's and the Company's exposure to these risks or the manner in which it managed and measured the risks during the reporting period.

Currency risk

It is the policy of the Group to enter into foreign exchange forward contracts or collar contracts to manage the risk associated with anticipated sales and purchase transactions denominated in USD up to 12 months (as detailed in Note 32).

43. FINANCIAL INSTRUMENTS (continued)

Market risk (continued)

Currency risk (continued)

The carrying amounts of the Group's main foreign currency denominated monetary assets (trade and other receivables, bank balances and cash, pledged bank deposits and amounts due from related parties) and liabilities (trade and other payables, borrowings, Convertible Bonds and amount due to related parties) at the end of each reporting period are summarized as follows:

	31/12/2020 *RMB'000*	31/12/2019 *RMB'000*
Assets		
USD	**5,477,423**	3,429,326
HKD	**12,507**	279
Liabilities		
USD	**2,767,038**	1,928,584
HKD	**64**	351,758
Inter-company balances		
USD	**606,854**	4,461,606
HKD	**(1)**	1

Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against USD or HKD, the foreign currency with which the Group may have a material exposure. 5% represents management's assessment of the reasonably possible change in foreign exchange rate. The sensitivity analysis uses outstanding foreign currency denominated monetary items as a base and adjusts their translation at the end of each reporting period for a 5% change in foreign currency rate. A negative/positive number below indicates a decrease/increase in profit where RMB strengthens 5% against USD or HKD. For a 5% weakening of RMB against USD or HKD, there would be an equal and opposite impact on profit.

	Year ended 31/12/2020 *RMB'000*	Year ended 31/12/2019 *RMB'000*
Impact on profit or loss		
USD	**126,482**	157,705
HKD	**519**	(16,162)

In the opinion of the directors of the Company, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

43. FINANCIAL INSTRUMENTS (continued)

Sensitivity analysis (continued)

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances. The directors of the Company consider that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant, therefore no sensitivity analysis on such risk has been prepared.

In addition the Group has elected hedge accounting for certain interest rate swap contracts as set out in Note 32 during 2020. As at December 31, 2020, the Group has assessed the hedge effectiveness and concluded that the hedge contracts are highly effective in offsetting changes in cash flows of the hedged item attributable to the hedged risk and therefore there is no effect on profit or loss as the interest rate change of the variable rate borrowings is recorded in other comprehensive income for the year ended December 31, 2020. For the other variable rate borrowing without hedging interest rate risk, the balance are RMB272,521,000 at the year ended December 31, 2020 (December 31, 2019: RMB1,319,257,000). If the interest rate had been 50 basis points higher/lower and all other variables were held constant, the Group's profit would decrease/increase by RMB572,000 for the year ended December 31, 2020 (2019: RMB5,339,000).

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

Other price risk

The Group is also exposed to equity price risk arising from financial assets at FVTPL and embedded derivative component of Convertible Bonds.

The sensitivity analysis below has been determined based on the exposure to equity price risk at the reporting date for financial assets at FVTPL and embedded derivative component of Convertible Bonds.

If the prices of the respective equity instruments had been changed based on the 5% higher/lower, the profit for the year ended December 31, 2020 would increase/decrease by RMB335,860,000 (2019: RMB200,454,000), as a result of the changes in fair value of financial assets at FVTPL.

43. FINANCIAL INSTRUMENTS (continued)

Sensitivity analysis (continued)

Other price risk (continued)

Embedded derivative component of Convertible Bonds:

(1) Changes in share price

If the share price of the Company had been 5% higher/lower while all other input variables of the valuation models were held constant, the Group's profit for the year would have (decrease)/increase as follows:

	31/12/2020 RMB'000
Higher by 5%	**(169,752)**
Lower by 5%	**165,746**

(2) Changes in volatility

If the volatility to the valuation model had been 5% higher/lower while all other variables were held constant, the Group's profit for the year would have (decrease)/increase as follows:

	31/12/2020 RMB'000
Higher by 5%	**(8,065)**
Lower by 5%	**7,504**

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents and unused banking facilities deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

43. FINANCIAL INSTRUMENTS (continued)

Liquidity risk (continued)

Liquidity and interest risk tables

	Weighted average interest rate	On demand or less than one year	One to five years	Over five years	Total undiscounted cash flows	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at December 31, 2020						
Trade and other payables	**N/A**	**3,000,238**	**—**	**—**	**3,000,238**	**3,000,238**
Amounts due to related parties	**N/A**	**23,845**	**—**	**—**	**23,845**	**23,845**
Borrowings						
— Fixed interest rate	**2.50**	**306,948**	**—**	**—**	**306,948**	**305,000**
— Variable interest rate	**1.14**	**928,410**	**—**	**—**	**928,410**	**925,011**
Lease liabilities	**3.92–4.96**	**191,176**	**641,788**	**514,386**	**1,347,350**	**1,244,539**
Convertible bonds	**1.25**	**—**	**2,032,050**	**—**	**2,032,050**	**1,819,029**
Payable for acquisition of subsidiaries	**4.28**	**—**	**190,339**	**—**	**190,339**	**176,945**
Total		**4,450,617**	**2,864,177**	**514,386**	**7,829,180**	**7,494,607**
As at December 31, 2019						
Trade and other payables	N/A	2,261,137	—	—	2,261,137	2,261,137
Amounts due to related parties	N/A	9,918	14,878	—	24,796	24,796
Borrowings						
— Fixed interest rate	3.77	1,279,264	—	—	1,279,264	1,253,000
— Variable interest rate	4.08	573,008	830,286	—	1,403,294	1,319,257
Lease liabilities	4.28–4.96	157,772	635,639	547,320	1,340,731	1,247,186
Convertible bonds	1.25	—	2,172,598	—	2,172,598	2,172,928
Payable for acquisition of a subsidiary	4.28	—	166,909	—	166,909	147,221
Total		4,281,099	3,820,310	547,320	8,648,729	8,425,525

43. FINANCIAL INSTRUMENTS (continued)

Fair value measurement

This note provides information about how the Group determines fair value of the following financial assets that are measured at fair value on a recurring basis.

(i) Fair value of the Group's financial assets and liabilities that are measured at fair value on a recurring basis

Financial assets	Fair value as at 12/31/2020 RMB'000	Fair value as at 12/31/2019 RMB'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Monetary fund investment	—	795,702	Level 2	Open market transaction price	N/A	N/A
Structured deposits	**4,617,725**	905,936	Level 2	Discounted cash flow — Future cash flows are estimated based on expected return	N/A	N/A
Investment in listed pharmaceutical companies at fair value	**1,835,826**	1,156,949	Level 1	Active market quoted transaction price	N/A	N/A
Investment on unlisted pharmaceutical funds at fair value (Note)	**391,466**	289,020	Level 3	Net asset value of underlying investments	Net assets value	The higher net asset value, the higher the fair value
Unlisted equity securities of pharmaceutical companies at fair value	**4,489,915**	2,563,112	Level 3	Back-solve from recent transaction price Market multiple method	IPO/Redemption/ Liquidation probability/ risk — free rate/expected volatility/recent transaction price/liquidity discount	The higher the expected volatility, the higher the fair value The lower the risk — free rate, the higher the fair value
Foreign currency forward contracts	**512,916**	36,755	Level 2	Discounted cash flow — Future cash flows are estimated based on observable forward exchange rates and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties	N/A	N/A
Collar option contracts	**49,908**	—	Level 3	Option pricing model with forward exchange rates and expected volatility as key inputs	Expected volatility forward exchange rates	The higher the expected volatility, the higher the fair value

43. FINANCIAL INSTRUMENTS (continued)

Fair value measurement (continued)

(i) ***Fair value of the Group's financial assets and liabilities that are measured at fair value on a recurring basis*** (continued)

Financial assets	Fair value as at 12/31/2020 RMB'000	Fair value as at 12/31/2019 RMB'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Foreign currency forward contracts	**147**	86,378	Level 2	Discounted cash flow — Future cash flows are estimated based on observable forward exchange rates and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties	N/A	N/A
Interest rate swap contracts	**712**	—	Level 2	Discounted cash flow — Future cash flows are estimated based on the fixed interest rate adopted, the referenced floating interest rate, time to maturity and discount rate that reflects the credit risk of various counterparties	N/A	N/A
Contingent consideration	**16,508**	44,228	Level 3	Discounted cash flow method was used to capture the present value of the expected future economic benefits that will flow out of the Group arising from the contingent consideration	Probability-adjusted revenue	The higher the probability-adjusted revenue, the higher the fair value
					Risk-free rate	The lower risk-free rate the higher the fair value
Convertible bonds — embedded derivative component	**1,582,060**	298,013	Level 3	Binominal option pricing with the volatilities and risk-free rates as key inputs	Expected volatility	The higher the expected volatility, the higher the fair value
					Risk-free rate	The lower risk-free rate the higher the fair value

There were no transfers between level 1 and level 2 during the year.

Note:

A slight increase in the net asset value of underlying investments of unlisted funds used in isolation would result in a slight increase in the fair value of unlisted funds. A 5% increase/decrease in the net assets while holding all other variables constant would increase the fair value of the unlisted funds by RMB19,573,000 (December 31, 2019: RMB14,451,000) or decrease the fair value of the unlisted funds by RMB19,573,000 (December 31, 2019: RMB14,451,000) as at December 31, 2020.

43. FINANCIAL INSTRUMENTS (continued)

Fair value measurement (continued)

(ii) Reconciliation of level 3 fair value measurements

Details of reconciliation of financial assets at FVTPL measured at Level 3 fair value measurement are set out as below:

	Unlisted fund investments at fair value *RMB'000*
At January 1, 2019	254,428
Acquisitions	56,981
Changes in fair value	3,366
Disposal	(28,743)
Effect of exchange rate change	2,988
At December 31, 2019	**289,020**
Acquisitions	**47,949**
Changes in fair value	**73,820**
Disposal	**(4,415)**
Dividend	**(4,465)**
Effect of exchange rate change	**(10,443)**
At December 31, 2020	**391,466**

	Unlisted equity investments *RMB'000*
At January 1, 2019 at fair value	883,925
Transferred to level 1 (Note)	(377,000)
Changes in fair value	230,060
Acquisition	1,804,963
Disposal	(160)
Effect of exchange rate change	21,324
At January 1, 2020 at fair value	**2,563,112**
Transferred to level 1 (Note)	**(253,482)**
Changes in fair value	**297,138**
Acquisition	**2,138,211**
Disposal	**(11,091)**
Effect of exchange rate change	**(243,973)**
At December 31, 2020	**4,489,915**

43. FINANCIAL INSTRUMENTS (continued)

Fair value measurement (continued)

(ii) Reconciliation of level 3 fair value measurements (continued)

	Collar options RMB'000
At December 31, 2019	—
Changes in fair value	49,908
At December 31, 2020	49,908

	Convertible bonds — embedded derivative component RMB'000
At January 1, 2020	298,013
Changes in fair value	1,349,387
Effect of exchange rate change	(65,340)
At December 31, 2020	1,582,060

Note: Hygeia Healthcare Holdings Co., Limited was listed on June 29, 2020 on the Hong Kong Stock Exchange, JW (Cayman) Therapeutics Co., Ltd. was listed on November 3, 2020 on the Hong Kong Stock Exchange, Antengene Corporation Limited was listed on November 20, 2020 on the Hong Kong Stock Exchange, Schrodinger, Inc. was listed on February 6, 2020 on NASDAQ and their open market transaction price can be obtained from the active market. Therefore, the Group changed their fair value hierarchy from the level 3 to the level 1.

Fair value gains or losses on financial assets and liabilities at FVTPL are included in "other gains and losses". of the total gains or losses for the year ended December 31 2020, RMB370,958,000 (2019: RMB233,427,000) was unrealized fair value gains related to financial assets at FVTPL on Level 3 fair value measurement held at December 31, 2020.

(iii) Fair value of financial assets and financial liabilities that are not measured at fair value

The directors of the Company consider that the carrying amount of the Group's current financial assets and current financial liabilities recorded at amortized cost in the consolidated financial statements approximate to their fair values. Such fair values have been determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

44. ACQUISITION OF SUBSIDIARIES

For the year ended December 31, 2020

Nanjing Milestone

On September 30, 2020, WXAT Shanghai, a subsidiary of the Company entered into an agreement to acquire the 60% equity interest of Nanjing Milestone Pharma Co. Ltd. ("Nanjing Milestone") for a cash consideration of RMB191,420,000. Nanjing Milestone was established in October 2016. It is mainly engaged in the research and development of chemical drugs and reagents, and provides professional services for drug research and development for pharmaceutical companies. Nanjing Milestone is jointly managed by senior returnees and industry elites, and has world-class R&D equipment and technical capabilities. The company has obtained CMA qualification and established and improved one-stop pre-clinical R&D services with reference to cGMP and GLP quality systems.

Name of subsidiary acquired	Vendor	Percentage of interest acquired	Principal activity	Fair value of purchase consideration *RMB'000*	Date of completion	Nature of acquisition
Nanjing Milestone	Independent third party	60%	Material and drug analysis, quality research and solution	191,420	September 30, 2020	Business combination

Assets acquired and liabilities assumed at the date of acquisition

	Amount *RMB'000*
Bank balances and cash	**8,014**
Pledged bank deposits	**540**
Trade and other receivables	**40,740**
Income tax recoverable	**396**
Property, plant and equipment	**34,782**
Right-of-use asset	**14,894**
Other intangible assets	**111,032**
Borrowings	**(10,000)**
Trade and other payables	**(20,660)**
Income tax payable	**(51)**
Contract liabilities	**(4,503)**
Lease liabilities	**(15,473)**
Deferred tax liabilities	**(16,533)**
Net assets	**143,178**
Less: non-controlling interests	**(57,271)**
Net assets acquired	**85,907**

44. ACQUISITION OF SUBSIDIARIES (continued)

For the year ended December 31, 2020 (continued)

Nanjing Milestone (continued)

Fair value of consideration transferred

	Amount RMB'000
Cash	**191,420**

Goodwill arising on acquisition

	Amount RMB'000
Fair value of consideration transferred, satisfied by cash	**191,420**
Less: fair value of net assets acquired	**(85,907)**
Goodwill arising on acquisition	**105,513**

The acquisition is to consolidate and expand the capacity of our analytical testing services.

The fair value of trade and other receivables at the date of acquisition amounted to RMB40,740,000. The gross contractual amounts of those receivables acquired amounted to RMB40,740,000 at the date of acquisition. None of the contractual cash flows are not expected to be collected at acquisition date. The directors of the Company consider that the carrying amount of assets and liabilities of Nanjing Milestone approximate to their fair values at the date of acquisition except those of certain other intangible assets and property, plant and equipment. The fair value hierarchy of valuation of certain other intangible assets and property, plant and equipment at the date of acquisition was level 3 and the fair value was to reference to valuation report issued by Shanghai Orient Appraisal Co., Ltd.

Intangible assets mainly include software, patent and proprietary technology. The fair value of purchased software is valued using the market price excluding tax. The fair value of patent and proprietary technology is valued using the excess income discounting method. The present value of future cash flows of patent and proprietary technology is determined based on the expected return rate attributed to the patent and proprietary technology. The expected long-term revenue growth rate is 2% and the discount rate is 14.1%. The fair value of the intangible assets will decrease if the actual long-term revenue growth rate is lower than 2% or the discount rate is higher than 14.1%.

Goodwill arising on this acquisition is not expected to be deductible for tax purposes.

44. ACQUISITION OF SUBSIDIARIES (continued)

For the year ended December 31, 2020 (continued)

Nanjing Milestone (continued)

Net cash outflow on acquisition of a subsidiary

	Amount *RMB'000*
Consideration transferred	**191,420**
Less: unpaid cash consideration included in other non-current liabilities	**(16,142)**
Cash consideration paid	**175,278**
Less: Bank balances and cash acquired	**(8,014)**
	167,264

No material acquisition related costs were incurred.

Nanjing Milestone contributed revenue of RMB17,402,000 and profit of RMB3,741,000 for the period from the date of acquisition to December 31, 2021. If the acquisition had been completed on January 1, 2020, total revenue of the Group for the year ended December 31, 2020 would have been RMB16,572,078,000 and profit for the year of the Group ended December 31, 2020 would have been RMB2,971,333,000. The proforma information is for illustrative purposes only (without considering the fair value change gain and losses of Nanjing Milestone before the acquisition) and is not necessarily an indication of the revenue and results of the Group that actually would have been achieved had the acquisition been completed on January 1, 2020, nor is it intended to be a projection of future results.

For the year ended December 31, 2019

Suzhou Kanglu

On September 30, 2019, WuXi AppTec (Suzhou) Co., Ltd., a subsidiary of the Company entered into an agreement to acquire the 100% equity interest of Suzhou Kanglu Biotechnology Co., Ltd. ("Suzhou Kanglu") for a cash consideration of RMB803,838,000.

Name of subsidiary acquired	Vendor	Percentage of interest acquired	Principal activity	Fair value of purchase consideration *RMB'000*	Date of completion	Nature of acquisition
Suzhou Kanglu	Independent third party	100%	— Laboratory-used Biological Assets Cultivation Business	803,838	November 30, 2019	Business combination

44. ACQUISITION OF SUBSIDIARIES (continued)

For the year ended December 31, 2019 (continued)

Suzhou Kanglu (continued)

Assets acquired and liabilities assumed at the date of acquisition

	Amount *RMB'000*
Bank balances and cash	2,659
Trade and other receivables	13,600
Inventories	641
Biological assets	591,507
Property, plant and equipment	92,781
Right-of-use asset	1,051
Other intangible assets	73,012
Other non-current assets	44
Trade and other payables	(1,721)
Lease liabilities	(1,379)
Deferred tax liabilities	(74,656)
Net assets acquired	697,539

Fair value of consideration transferred

	Amount *RMB'000*
Cash	803,838

Goodwill arising on acquisition

	Amount *RMB'000*
Fair value of consideration transferred, satisfied by cash	803,838
Less: fair value of net assets acquired	(697,539)
Goodwill arising on acquisition	106,299

The acquisition is to secure upstream resources for pre-clinical evaluation, and provide sufficient experimental raw materials for pre-clinical research for the development of new drugs and medical devices.

44. ACQUISITION OF SUBSIDIARIES (continued)

For the year ended December 31, 2019 (continued)

Suzhou Kanglu (continued)

Goodwill arising on acquisition (continued)

The fair value of trade and other receivables at the date of acquisition amounted to RMB13,600,000. The gross contractual amounts of those receivables acquired amounted to RMB13,600,000 at the date of acquisition. None of the contractual cash flows were not expected to be collected at acquisition date. The directors of the Company consider that the carrying amount of assets and liabilities of Suzhou Kanglu approximated to their fair values at the date of acquisition except those of certain other intangible assets, biological assets and property, plant and equipment. The fair value hierarchy of valuation of these other intangible assets, biological assets and property, plant and equipment at the date of acquisition was level 3 and the fair value was determined by reference to valuation report issued by Shanghai Orient Appraisal Co., Ltd.

Biological assets mainly included cynomolgus monkeys for experiment and breeding. The fair value of cynomolgus monkeys was determined by using the market method through direct comparison or analysis of the recent trading prices of the same or similar assets.

Intangible assets mainly included patent and proprietary technology. The fair value of patent and proprietary technology was valued using the excess income discounting method. The present value of future cash flows of patent and proprietary technology was determined based on the expected return rate attributed to the patent and proprietary technology. The expected long-term revenue growth rate was 1% and the discount rate was 16%. The fair value of the intangible assets would decrease if the actual long-term revenue growth rate was lower than 1% or the discount rate was higher than 16%.

Goodwill arising on this acquisition is not expected to be deductible for tax purposes.

Net cash outflow on acquisition of a subsidiary

	Amount *RMB'000*
Consideration transferred	803,838
Less: unpaid cash consideration included in other non-current liabilities	(146,654)
Cash consideration paid	657,184
Less: Bank balances and cash acquired	(2,659)
	654,525

No material acquisition related costs were incurred.

44. ACQUISITION OF SUBSIDIARIES (continued)

For the year ended December 31, 2019 (continued)

Suzhou Kanglu (continued)

Net cash outflow on acquisition of a subsidiary (continued)

Suzhou Kanglu contributed revenue of RMB12,634,000 and profit of RMB6,076,000 for the period from the date of acquisition to December 31, 2019. If the acquisition had been completed on January 1, 2019, total revenue of the Group for the year ended December 31, 2019 would have been RMB12,936,310,000 and profit for the year of the Group ended December 31, 2019 would have been RMB1,914,486,000. The pro forma information is for illustrative purposes only (without considering the fair value change gain and losses of Suzhou Kanglu before the acquisition) and is not necessarily an indication of the revenue and results of the Group that actually would have been achieved had the acquisition been completed on January 1, 2019, nor is it intended to be a projection of future results.

Pharmapace, Inc.

On May 1, 2019, the Group acquired 100% of the issued share capital of Pharmapace, Inc. at total cash consideration of USD22,353,000 (equivalent to RMB154,221,000) and estimated contingent consideration of USD4,711,000 (equivalent to RMB32,501,000). This acquisition has been accounted for using the acquisition method. Pharmapace, Inc. is a U.S.-based clinical research services company with expertise of providing biometrics services for all phases of clinical trials, regulatory submissions, and post marketing support.

The following table summarized the transaction:

Name of subsidiary acquired	Vendor	Percentage of interest acquired	Principal activity	Fair value of purchase consideration *RMB'000*	Date of completion	Nature of acquisition
Pharmapace, Inc.	Independent third parties	100%	Render of Clinical Development Services	186,722	May 1, 2019	Business combination

44. ACQUISITION OF SUBSIDIARIES (continued)

For the year ended December 31, 2019 (continued)

Pharmapace, Inc. (continued)

Assets acquired and liabilities assumed at the date of acquisition

	Amount *RMB'000*
Bank balances and cash	23,973
Trade and other receivables	4,622
Contract assets	8,959
Property, plant and equipment	943
Other intangible assets	84,860
Other non-current assets	133
Trade and other payables	(6,634)
Contract liabilities	(3,438)
Income tax payables	(4,673)
Deferred tax liabilities	(26,522)
Net assets acquired	82,223

Fair value of consideration transferred

	Amount *RMB'000*
Cash	154,221
Contingent consideration arrangement (Note)	32,501
	186,722

Note: The contingent consideration dependent on the achievement of certain revenue target over a period of two years from the acquisition date is measured at its acquisition-date fair value.

Analysis of contingent consideration for reporting purpose

	At December 31, 2019 *RMB'000*
Analyzed for reporting purposes as:	
Current liabilities	17,605
Non-current liabilities	14,780
	32,385

44. ACQUISITION OF SUBSIDIARIES (continued)

For the year ended December 31, 2019 (continued)

Pharmapace, Inc. (continued)

Goodwill arising on acquisition

	Amount *RMB'000*
Fair value of consideration transferred	186,722
Less: fair value of net assets acquired	(82,223)
Goodwill arising on acquisition	104,499

The fair value of trade and other receivables at the date of acquisition amounted to RMB4,622,000. The gross contractual amounts of those receivables acquired amounted to RMB4,622,000 at the date of acquisition. None of the contractual cash flows were not expected to be collected at acquisition date. The directors of the Company considered that the carrying amount of assets and liabilities of Pharmapace, Inc approximated to their fair values at the date of acquisition except those of certain other intangible assets. The fair value hierarchy of valuation of these other intangible assets at the date of acquisition was level 3 and the fair value was determined by reference to valuation report issued by ValueLink Management Consultants Limited.

Intangible assets mainly included customer relationship, patent and proprietary technology and backlog. The fair value of customer relationship was valued using the excess income discount method. The present value of future cash flows of patent and proprietary technology was determined based on the estimation of the expected rate of return expected to be attributed to the customer relationship. The expected long-term revenue growth rate was 2% and the weighted average cost of capital was 14.5%. The fair value of the intangible assets would decrease if the actual long-term revenue growth rate was lower than 2% or the weighted average cost of capital was higher than 14.5%.

The fair value of patent and proprietary technology was valued using the license fee saving method. The fair value of the patent and proprietary technology was determined by discounting the license fee expected to be saved during the life of the patent and proprietary technology assuming the Group owned the patent and proprietary technology. The expected long-term revenue growth rate was 2%, the license rate was 3.5%, and the weighted average cost of capital was 15%. The fair value of the intangible assets would decrease if the actual long-term revenue growth rate was lower than 2% or the license rate if lower than 3.5% or the weighted average cost of capital was higher than 14.5%.

The fair value of backlog was valued using the excess income discount method. The present value of future cash flows of backlog was determined based on the estimation of the expected rate of return expected to be attributed to the backlog. The weighted average cost of capital is 14.5%. The fair value of the intangible assets would decrease if the weighted average cost of capital was higher than 14.5%.

44. ACQUISITION OF SUBSIDIARIES (continued)

For the year ended December 31, 2019 (continued)

Pharmapace, Inc. (continued)

Goodwill arising on acquisition (continued)

Goodwill arose in the acquisition of Pharmapace, Inc. because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included considerations in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Pharmapace, Inc.. These benefits were not recognised separately from goodwill because they did not meet the recognition criteria for identifiable intangible assets.

Goodwill arising on this acquisition is not expected to be deductible for tax purposes.

Net cash outflow on acquisition of a subsidiary

	Amount *RMB'000*
Consideration transferred	186,722
Less: contingent consideration included in financial liabilities at FVTPL	(32,501)
Cash consideration paid	154,221
Less: Bank balances and cash acquired	(23,973)
	130,248

No material acquisition related costs were incurred.

Pharmapace, Inc. contributed revenue of RMB42,814,000 and profit of RMB2,345,000 for the period from the date of acquisition to December 31, 2019. If the acquisition had been completed on January 1, 2019, total revenue of the Group for the year ended December 31, 2019 would have been RMB12,892,027,000 and profit for the year of the Group ended December 31, 2019 would have been RMB1,912,416,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of the Group that actually would have been achieved had the acquisition been completed on January 1, 2019, nor is it intended to be a projection of future results.

45. SHARE-BASED COMPENSATION

WuXi PharmaTech Stock Units and Options Plan

The Company was wholly owned by WuXi PharmaTech, which once listed on the New York Stock Exchange and had an employee stock incentive plan ("WuXi PharmaTech Stock Units and Options Plan"). Pursuant to the WuXi PharmaTech Stock Units and Options Plan, certain employees of the Group were granted the restricted stock units and options of the shares of WuXi PharmaTech as the Group was a part of WuXi PharmaTech.

45. SHARE-BASED COMPENSATION (continued)

WuXi PharmaTech Stock Units and Options Plan (continued)

The Group recognised share-based compensation expense of RMB1,015,000 during the year ended December 31, 2020 (2019: RMB1,721,000), in relation to WuXi PharmaTech Stock Units and Options Plan.

STA Share Units and Options Incentive Scheme

STA, as a listed company on NEEQ, has also adopted different employee incentive schemes to provide incentives for its eligible employees since 2015. STA Group has established equity-settled share units and options incentive schemes including the (i) STA Share Option Incentive Scheme (2015); (ii) STA Overseas Employees Incentive Scheme and (iii) STA Share Option Incentive Scheme (2016). None of the eligible STA employees are the Chief Executive or directors of the Company.

On September 13, 2017, the STA shareholders' meeting approved to capitalise 20 ordinary STA Shares for every 10 STA Shares standing to the credit of the share premium account of STA ("Conversion of Capital Reserve"). In May 2017 and April 2018, the STA Shareholders' meeting approved to distribute RMB10.0 and RMB3.5 for every 10 STA Shares. As a result, the number of STA Shares and exercise price per share granted under the STA Share Option Incentive Scheme (2015), STA Oversea Employees Incentive Scheme, and STA Share Option Incentive Scheme (2016) presented herein have been adjusted to reflect the Conversion of Capital Reserve and dividend adjustment.

(1) Details of specific categories of options are as follows:

STA Share Units and Options Incentive Scheme	Date of grant	Number of options shares	Exercise price
STA Share Option Incentive Scheme (2015)	May 13, 2015	16,200,000	RMB8.00
STA Overseas Employees Incentive Scheme			
– 1st batch	June 2, 2015	6,330,000	RMB1.79
– 2nd batch	May 23, 2019 and October 13, 2019	186,843	RMB1.79
– 3rd batch	August 8, 2020	192,000	RMB1.79
STA Share Option Incentive Scheme (2016)			
– 1st batch	May 23, 2016	889,200	RMB8.00
– 2nd batch	July 17, 2017	635,940	RMB8.00

(2) Options granted under the STA Share Option Incentive Scheme (2015), STA Overseas Employees Incentive Scheme and STA Share Option Incentive Scheme (2016) shall have a contractual term of 10 years and vest over a four-year period, with 20%, 20%, 20% and 40% of total options vesting on the first, second, third and fourth anniversary date two years after the vesting commencement date upon meeting certain annual performance conditions.

45. SHARE-BASED COMPENSATION (continued)

STA Share Units and Options Incentive Scheme (continued)

Set out below are details of the movements of the outstanding units and options granted under the STA Share Units and Options Incentive Scheme throughout the reporting period:

STA Share Unites and Options Incentive Scheme	Outstanding at 1/1/2020	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 12/31/2020
STA Share Option Incentive Scheme (2015)	**6,078,000**	**—**	**6,078,000**	**—**	**—**
STA Overseas Employees Incentive Scheme — 1st batch	**2,503,836**	**—**	**2,311,836**	**192,000**	**—**
STA Overseas Employees Incentive Scheme — 2nd batch	**186,843**	**—**	**20,800**	**—**	**166,043**
STA Overseas Employees Incentive Scheme — 3rd batch	**—**	**192,000**	**—**	**—**	**192,000**
STA Share Option Incentive Scheme (2016) — 1st batch	**274,860**	**—**	**91,620**	**16,200**	**167,040**
STA Share Option Incentive Scheme (2016) — 2nd batch	**316,560**	**—**	**79,140**	**4,284**	**233,136**
Total	**9,360,099**	**192,000**	**8,581,396**	**212,484**	**758,219**
Exercisable at the end of the year	**—**				**—**
Weighted average exercise price	**RMB6.21**	**RMB1.79**	**RMB6.31**	**RMB2.39**	**RMB6.03**

STA Share Unites and Options Incentive Scheme	Outstanding at 1/1/2019	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 12/31/2019
STA Share Option Incentive Scheme (2015)	9,117,000	—	3,027,000	12,000	6,078,000
STA Overseas Employees Incentive Scheme — 1st batch	3,831,594	—	1,245,198	82,560	2,503,836
STA Overseas Employees Incentive Scheme — 2nd batch	—	186,843	—	—	186,843
STA Share Option Incentive Scheme (2016) — 1st batch	390,960	—	99,120	16,980	274,860
STA Share Option Incentive Scheme (2016) — 2nd batch	476,460	—	78,660	81,240	316,560
Total	13,816,014	186,843	4,449,978	192,780	9,360,099
Exercisable at the end of the year	—				—
Weighted average exercise price	RMB6.28	RMB1.79	RMB6.26	RMB5.34	RMB6.21

45. SHARE-BASED COMPENSATION (continued)

STA Share Units and Options Incentive Scheme (continued)

The fair value of the incentive scheme granted was determined using the Binomial model. These fair values and corresponding inputs into the model were as follows:

	STA Share Incentive Option Scheme (2015)	STA Overseas Employees Incentive Scheme — 1st batch	STA Overseas Employees Incentive Scheme — 2nd batch	STA Overseas Employees Incentive Scheme — 3rd batch	STA Share Option Incentive Scheme (2016) — 1st batch	STA Share Option Incentive Scheme (2016) — 2nd batch
Grant date option fair value per STA share (RMB)	6.32–10.04	20.94	37.78–41.90	42.02–42.43	47.23–48.09	109.18–111.88
Grant date STA Shares Price (RMB)	25.28	25.28	48.09–49.94	50.12	69.65	132.50
Exercise price (RMB)	26.04	5.38	1.79	1.79	26.04	26.04
Expected volatility	33.48%–36.77%	42.07%	24.60%–29.75%	33.45%–37.75%	32.53%–35.30%	29.90%–34.40%
Expected life (years)	3–6	10	10	2–4	3–6	3–6
Risk-free interest rate	3.08–3.67%	3.67%	1.58%–1.82%	0.13%–0.19%	2.61–2.91%	3.50–3.55%

Expected volatility was determined by using the historical volatility of the comparable companies. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of behavioral considerations. The Group recognised share-based compensation expense of RMB6,116,000 during the year ended December 31, 2020 (2019: RMB16,496,000), in relation to STA Share Option Incentive Scheme.

STA Share Appreciation Incentive Scheme

On May 16, 2016 and July 12, 2017, STA Share Appreciation Incentive Scheme (2016) and STA Share Appreciation Incentive Scheme (2017) were approved at the STA shareholders' meeting. As a result of the Convention of Capital Reserve, the total number of STA units granted under the STA Share Appreciation Incentive Scheme (2016) and the STA Share Appreciation Incentive Scheme (2017) to STA foreign employees were 1,350,000 and 123,000, respectively. Stock appreciation rights have been awarded in units, with each unit representing the value of one STA Shares. Upon the exercise of stock appreciation rights, exercising recipients will receive payments in RMB from STA, subject to any withholding tax, equal to the number of stock appreciation rights exercised times the difference between the subscribe price and market price of the STA Shares on the exercise day. The number of STA Shares and subscribe price per STA share granted under the STA Share Appreciation Incentive Scheme presented herein has been adjusted to reflect the Conversion of Capital Reserve and dividend adjustment.

45. SHARE-BASED COMPENSATION (continued)

STA Share Appreciation Incentive Scheme (continued)

(1) Details of specific categories of STA Share Appreciation Incentive Scheme are as follows:

STA Share Appreciation Incentive Scheme	Date of grant	Number of units	Exercise price
STA Share Appreciation Incentive Scheme (2016)			
— 1st batch	May 23, 2016	1,071,000	RMB8.00
— 2nd batch	July 17, 2017	279,000	RMB8.00
STA Share Appreciation Incentive Scheme (2017)	July 17, 2017	123,000	RMB8.00

(2) Units granted under the STA Share Appreciation Incentive Scheme shall have a contractual term of 10 years and generally vest over a four year period, with 20%, 20%, 20% and 40% of total options vesting on the first, second, third and fourth anniversary date two years after the vesting commencement date.

Set out below are details of the movements of the outstanding units granted under the STA Share Appreciation Incentive Scheme throughout the reporting period:

STA Share Appreciation Incentive Scheme	Outstanding at 1/1/2020	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 12/31/2020
STA Share Appreciation Incentive Scheme (2016)					
— 1st batch	432,000	—	144,000	72,000	216,000
— 2nd batch	72,000	—	18,000	—	54,000
STA Share Appreciation Incentive Scheme (2017)	36,000	—	9,000	—	27,000
Total	540,000	—	171,000	72,000	297,000
Exercisable at the end of the year	—				—
Weighted average exercise price	RMB8.00	N/A	RMB8.00	RMB8.00	RMB8.00

45. SHARE-BASED COMPENSATION (continued)

STA Share Appreciation Incentive Scheme (continued)

STA Share Appreciation Incentive Scheme	Outstanding at 1/1/2019	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 12/31/2019
STA Share Appreciation Incentive Scheme (2016)					
— 1st batch	554,400	—	122,400	—	432,000
— 2nd batch	249,000	—	10,800	166,200	72,000
STA Share Appreciation Incentive Scheme (2017)	87,000	—	9,000	42,000	36,000
Total	890,400	—	142,200	208,200	540,000
Exercisable at the end of the year	144,000				—
Weighted average exercise price	RMB8.00	N/A	RMB8.00	RMB8.00	RMB8.00

The fair value of the units granted under STA Share Appreciation Incentive Scheme at each reporting date was determined using the Binomial model. These fair values and corresponding inputs into the model were as follows:

STA Share Appreciation Incentive Scheme (2016) — 1st batch	December 31, 2019	**December 31, 2020**
STA Share price (RMB)	49.9	**50.12**
Exercise price (RMB)	8.00	**8.00**
Expected volatility	22.67%–29.32%	**30.36%–39.58%**
Expected life (years)	0.39–2.39	**0.39–1.39**
Risk-free interest rate	1.58–1.59%	**0.08–0.12%**

STA Share Appreciation Incentive Scheme (2016) — 2nd batch and STA Appreciation Incentive Scheme (2017)	December 31, 2019	**December 31, 2020**
STA Share price (RMB)	49.9	**50.12**
Exercise price (RMB)	8.00	**8.00**
Expected volatility	24.60%–28.96%	**31.87%–38.67%**
Expected life (years)	0.54–3.54	**0.54–2.54**
Risk-free interest rate	1.58–1.63%	**0.09–0.15%**

The Group recognised share-based compensation expense of RMB1,337,000 during the year ended 2020 (2019: RMB7,179,000) in relation to STA Scheme Appreciation Incentive Scheme.

45. SHARE-BASED COMPENSATION (continued)

2018 WuXi AppTec A Share Incentive Scheme — First Batch Restricted Shares

On August 22, 2018, the shareholders' meeting of the Company passed a resolution to issue up to 8,856,900 A Shares of the Company under the 2018 WuXi AppTec A Share Incentive Scheme. On August 28, 2018, 7,085,500 restricted A shares of the Company were approved for a director of the Company and eligible employees to subscribe at the price of RMB45.53 per A Share ("2018 A-2018 WuXi AppTec A Share Incentive Scheme — First Batch Restricted Shares") and the remaining 1,771,400 A shares will be reserved for future distribution. In October 2018, 6,281,330 number of A Shares were subscribed by a director of the Company and eligible employees and RMB285,989,000 consideration were received by the Company. These granted restricted A Shares have a contractual term of no more than four years and unlock over a three year period, with 40%, 30% and 30% of the awards unlocking on the first, second and third anniversary date of the A Shares registration date upon meeting certain annual performance conditions. Pursuant to the black-out period provisions of the 2018 WuXi AppTec A Share Incentive Scheme, directors and employees shall not transfer the A Shares which fulfill the unlocking conditions to any third party in any form within the six months from each unlocking anniversary date.

Details of specific categories of restricted shares are as follows:

Categories	Date of grant	Number of restricted A shares	Subscribe price per share
Mr. Edward HU	October 31, 2018	91,000	RMB45.53
Mr. Steve Qing Yang	October 31, 2018	64,800	RMB45.53
Employees	October 31, 2018	6,125,530	RMB45.53

Set out below are details of the movements of the outstanding restricted A shares granted under the 2018 WuXi AppTec A Share Incentive Scheme-First Batch Restricted Shares throughout the reporting period:

	Outstanding at January 1, 2020	Forfeited before capitalization issue	Vested before capitalization issue	Capitalisation issue	Forfeited after Capitalization issue	Outstanding at December 31, 2020
2018 WuXi AppTec A Share Incentive Scheme — First Batch Restricted Shares	8,274,200	77,658	3,308,951	2,041,064	233,296	6,695,359
Total	8,274,200	77,658	3,308,951	2,041,064	233,296	6,695,359

45. SHARE-BASED COMPENSATION (continued)

2018 WuXi AppTec A Share Incentive Scheme — First Batch Restricted Shares (continued)

The fair value of the restricted A shares granted under 2018 WuXi AppTec A Share Incentive Scheme-First Batch Restricted Shares as at the grant date was determined using the Black-Scholes model by factoring the black-out period into the option pricing model. The fair value and corresponding inputs into the model were as follows:

	2018 WuXi AppTec A Share Incentive Scheme First Batch Restricted Shares
Grant date A Share price (RMB)	87.15
Subscribe price (RMB)	45.53
Expected volatility in the black-out period	39.80%–57.50%
Black-out period (year)	0.5
Expected life (years)	2–4
Risk-free interest rate	2.81%–3.26%

For the year ended December 31, 2020, the Group has recorded share-based expenses of RMB45,152,000 (2019: RMB114,096,000) in relation to 2018 WuXi AppTec A Share Incentive Scheme — First Batch Restricted Shares.

2018 WuXi AppTec A Share Incentive Scheme — Second Batch Restricted Shares

On July 19, 2019, Board of Directors of the Company passed a resolution to grant 542,017 A Shares of the Company to eligible employees to subscribe at the price of RMB32.44 per A Share under the reserved part of 2018 WuXi AppTec A Share Incentive Scheme ("2018 WuXi AppTec A Share Incentive Scheme-Second Batch Restricted Shares") under the authorization of the shareholders' meeting. In September 2019, 478,822 number of A Shares were subscribed by eligible employees and RMB15,553,000 consideration were received by the Company. These granted restricted A Shares have a contractual term of no more than four years and unlock over a three year period, with 40%, 30% and 30% of the awards unlocking on the first, second and third anniversary date of the A Shares registration date upon meeting certain annual performance conditions. Pursuant to the black-out period provisions of the 2018 WuXi AppTec A Share Incentive Scheme-Second Batch Restricted Shares, employees shall not transfer the A Shares which fulfill the unlocking conditions to any third party in any form within the six months from each unlocking anniversary date.

45. SHARE-BASED COMPENSATION (continued)

2018 WuXi AppTec A Share Incentive Scheme — Second Batch Restricted Shares (continued)

Details of specific categories of restricted shares are as follows:

Categories	Date of grant	Number of restricted A shares	Subscribe price per share
Employees	September 1, 2019	478,822	RMB32.44

Set out below are details of the movements of the outstanding restricted A shares granted under the 2018 WuXi AppTec A Share Incentive Scheme-Second Batch Restricted Shares throughout the reporting period:

	Outstanding at January 1, 2020	Forfeited before capitalization issue	Vested before capitalization issue	Capitalisation issue	Forfeited after Capitalization issue	Outstanding at December 31, 2020
2018 WuXi AppTec A Share Incentive Scheme — Second Batch Restricted Shares (Unaudited)	478,822	15,413	—	191,529	157,212	497,726
Total	478,822	15,413	—	191,529	157,212	497,726

The fair value of the restricted A shares granted under 2018 WuXi AppTec A Share Incentive Scheme-Second Batch Restricted Shares as at the grant date was determined using the Black-Scholes model by factoring the black-out period into the option pricing model. The fair value and corresponding inputs into the model were as follows:

	2018 WuXi AppTec A Share Incentive Scheme Second Batch Restricted Shares
Grant date A Share price (RMB)	86.70
Subscribe price (RMB)	32.44
Expected volatility in the black-out period	42.00%–46.20%
Black-out period (year)	0.5
Expected life (years)	2–4
Risk-free interest rate	2.54%–2.84%

45. SHARE-BASED COMPENSATION (continued)

2018 WuXi AppTec A Share Incentive Scheme — Second Batch Restricted Shares (continued)

For the year ended December 31, 2020, the Group has recorded share-based expenses of RMB9,802,000 (2019: RMB2,459,000) in relation to 2018 WuXi AppTec A Share Incentive Scheme-Second Batch Restricted Shares.

2018 WuXi AppTec A Share Incentive Scheme — Reserved Options

On July 19, 2019, Board of Directors of the Company passed a resolution to grant A Shares stock options of the Company to eligible employees under the reserved part of 2018 WuXi AppTec A Share Incentive Scheme("2018 WuXi AppTec A Share Incentive Scheme — Reserved Options") under the authorization of the shareholders' meeting.

On May 15, 2020, the shareholders' meeting approved to capitalize 4 shares for every 10 shares standing to the credit of the share premium account. As a result, the number of shares granted under the 2018 WuXi AppTec A Share Incentive Scheme-Reserved Options has been adjusted to reflect the Conversion of Capital Reserve and exercise price per share has been adjusted from RMB64.88 to RMB46.34.

(1) Details of options are as follows:

	Date of grant	Number of options shares	Exercise price
2018 WuXi AppTec A Share Options Incentive Scheme Reserved Options	July 19, 2019	287,000	RMB64.88

(2) Options granted under the 2018 WuXi AppTec A Share Incentive Scheme-Reserved Options shall have a contractual term of four-year period and vest over a four-year period, with 40%, 30% and 30% of total options vesting on the first, second, third anniversary date one year after the vesting commencement date upon meeting certain annual performance conditions.

45. SHARE-BASED COMPENSATION (continued)

2018 WuXi AppTec A Share Incentive Scheme — Reserved Options (continued)

Set out below are details of the movements of the outstanding units granted under the 2018 WuXi AppTec A Share Incentive Scheme-Reserved Options throughout the reporting period:

	Outstanding at January 1, 2020	Forfeited before capitalization issue	Capitalisation issue	Forfeited after Capitalization issue	Exercised after Capitalization issue	Outstanding at December 31, 2020
2018 WuXi AppTec A Share Incentive Scheme — Reserved Options	287,000	—	114,800	—	62,720	339,080
Total	287,000	—	114,800	—	62,720	339,080

The fair value of the restricted A shares granted under 2018 WuXi AppTec A Share Options Incentive Scheme — Reserved Options as at the grant date was determined using the Black-Scholes model. The fair value and corresponding inputs into the model were as follows:

	2018 WuXi AppTec A Share Option Incentive Scheme
Grant date A Share price (RMB)	86.70
Subscribe price (RMB)	64.88
Expected volatility	43.23%–47.09%
Expected life (years)	2–4
Risk-free interest rate	2.70%–2.86%
Dividend yield rate	0.95%

For the year ended December 31, 2020, the Group has recorded share-based expenses of RMB4,626,000 (2019: RMB1,844,000) in relation to 2018 WuXi AppTec A Share Options Incentive Scheme — Reserved Options.

45. SHARE-BASED COMPENSATION (continued)

2019 WuXi AppTec A Share Incentive Scheme — Restricted Shares

In November 2019, the shareholders' meeting of the Company passed a resolution to issue up to 18,949,977 A Shares of the Company under the 2019 WuXi AppTec A Share Incentive Scheme. On November 25, 2019, 13,400,273 restricted A shares of the Company were approved by the Board of Directors of the Company for a director of the Company and eligible employees to subscribe at the price of RMB32.44 per A Share ("2019 WuXi AppTec A Share Incentive Scheme — Restricted Shares"). In December 2019, 12,942,744 number of A Shares were subscribed by a director of the Company and eligible employees and RMB419,976,000 consideration were received by the Company. These granted restricted A Shares have a contractual term of no more than four years and unlock over a three year period, with 40%, 30% and 30% of the awards unlocking on the first, second and third anniversary date of the A Shares registration date upon meeting certain annual performance conditions. Pursuant to the black-out period provisions of the 2019 WuXi AppTec A Share Incentive Scheme — Restricted Shares, director and employees shall not transfer the A Shares which fulfill the unlocking conditions to any third party in any form within the six months from each unlocking anniversary date.

Details of specific categories of restricted shares are as follows:

Categories	Date of grant	Number of restricted A shares	Subscribe price per share
Mr. Edward HU	December 4, 2019	125,000	RMB32.44
Mr. Steve Qing Yang	December 4, 2019	115,000	RMB32.44
Employees	December 4, 2019	12,702,744	RMB32.44

Set out below are details of the movements of the outstanding units granted under the 2019 WuXi AppTec A Share Incentive Scheme-Restricted Shares throughout the reporting period:

	Outstanding at January 1, 2020	Forfeited before capitalization issue	Vested before capitalization issue	Capitalisation issue	Forfeited after Capitalization issue	Outstanding at December 31, 2020
2019 WuXi AppTec A Share Incentive Scheme — Restricted Shares	12,942,744	91,860	—	5,177,103	617,653	17,410,334
Total	12,942,744	91,860	—	5,177,103	617,653	17,410,334

The fair value of the restricted A shares granted under 2019 WuXi AppTec A Share Incentive Scheme — Restricted Shares as at the grant date was determined using the Black-Scholes model by factoring the black-out period into the option pricing model. The fair value and corresponding inputs into the model were as follows:

45. SHARE-BASED COMPENSATION (continued)

2019 WuXi AppTec A Share Incentive Scheme — Restricted Shares (continued)

	2019 WuXi AppTec A Share Incentive Scheme Restricted Shares
Grant date A Share price (RMB)	64.95
Subscribe price (RMB)	32.44
Expected volatility in the black-out period	42.90%-48.20%
Black-out period (year)	0.5
Expected life (years)	2–4
Risk-free interest rate	2.67%-2.86%
Dividend yield rate	0.95%

For the year ended December 31, 2020, the Group has recorded share-based expenses of RMB397,106,000 (2019: RMB31,757,000) in relation to 2019 WuXi AppTec A Share Incentive Scheme — Restricted Shares.

2019 WuXi AppTec A Share Incentive Scheme — Stock Option

In November 2019, the shareholders' meeting of the Company passed a resolution to issue up to 18,949,977 A Shares of the Company under the 2019 WuXi AppTec A Share Incentive Scheme. On November 25, 2019, 5,014,854 A shares stock options of the Company were approved by the Board of Director of the Company to grant to eligible employees ("2019 WuXi AppTec A Share Incentive Scheme — Reserved Options").

On May 15, 2020, the shareholders' meeting approved to capitalize 4 shares for every 10 shares standing to the credit of the share premium account. As a result, the number of shares granted under the 2019 WuXi AppTec A Share Incentive Scheme-Stock Option has been adjusted to reflect the Conversion of Capital Reserve and exercise price per share has been adjusted from RMB64.88 to RMB46.34.

(1) Details of specific categories of options are as follows:

	Date of grant	Number of options shares	Exercise price
2019 WuXi AppTec A Share Options Incentive Scheme Reserved Options	November 25, 2019	5,039,904	RMB46.34

45. SHARE-BASED COMPENSATION (continued)

2019 WuXi AppTec A Share Incentive Scheme — Stock Option (continued)

(2) Options granted under the 2019 WuXi AppTec A Share Options Incentive Scheme shall have a contractual term of 54-months and vest over a 54-months period, with 40%, 30% and 30% of total options vesting on the first, second, third anniversary date 18 months after the vesting commencement date upon meeting certain annual performance conditions.

Set out below are details of the movements of the outstanding units granted under the 2019 WuXi AppTec A Share Incentive Scheme-Stock Option throughout the reporting period:

	Outstanding at January 1, 2020	Forfeited before capitalization issue	Exercised before capitalization issue	Capitalisation issue	Forfeited after Capitalization issue	Outstanding at December 31, 2020
2019 WuXi AppTec A Share Incentive Scheme — Stock Option	5,014,854	228,750	—	2,005,941	608,742	6,183,303
Total	5,014,854	228,750	—	2,005,941	608,742	6,183,303

The fair value of the restricted A shares granted under 2019 WuXi AppTec A Share Options Incentive Scheme — Stock Option as at the grant date was determined using the Black-Scholes model. The fair value and corresponding inputs into the model were as follows:

	2019 WuXi AppTec A Share Option Incentive Scheme Stock Option
Grant date A Share price (RMB)	89.90
Subscribe price (RMB)	64.88
Expected volatility	43.44%–45.85%
Expected life (years)	1.5–4.5
Risk-free interest rate	2.81%–2.91%
Dividend yield rate	0.95%

For the year ended December 31, 2020, the Group has recorded share-based expenses of RMB66,499,000 (2019: RMB5,200,000) in relation to 2019 WuXi AppTec A Share Options Incentive Scheme — Stock Option.

45. SHARE-BASED COMPENSATION (continued)

2019 WuXi AppTec H Share Appreciation Incentive Scheme

On September 20, 2019, 2019 WuXi AppTec H Share Appreciation Incentive Scheme was approved at the shareholders' meeting. Stock appreciation rights have been awarded in units, with each unit representing the value of one H Share of the Company. The total number of units granted under the WuXi AppTec H Share Appreciation Incentive Scheme to eligible employees were 2,901,172 ("2019 WuXi AppTec H Share Appreciation Incentive Scheme"). Upon the exercise of stock appreciation rights, exercising recipients will receive payments in RMB from the Company, subject to any withholding tax, equal to the number of stock appreciation rights exercised times the difference between the subscribe price and market price of the H Share of the Company on the exercise day.

On May 15, 2020, the shareholders' meeting approved to capitalize 4 shares for every 10 shares standing to the credit of the share premium account and distribute RMB3.37 for every 10 shares ("profit distribution plan"). As a result, the number of shares granted under the 2019 WuXi AppTec H Share Appreciation Incentive Scheme has been adjusted to reflect the profit distribution plan and exercise price per share has been adjusted from HKD72.00 to HKD51.43.

(1) Details of specific categories of options are as follows:

	Date of grant	Number of options shares	Exercise price
2019 WuXi AppTec H Share Appreciation Incentive Scheme	September 30, 2019	2,901,172	HKD72.00

(2) Units granted under the 2019 WuXi AppTec H Share Appreciation Incentive Scheme shall have a contractual term of 44-months and vest over a 44-months period, with 40%, 30% and 30% of total options vesting on the first, second, third anniversary date eight months after the vesting commencement date upon meeting certain annual performance conditions.

Set out below are details of the movements of the outstanding units granted under the 2019 WuXi AppTec H Share Appreciation Incentive Scheme throughout the reporting period:

	Outstanding at January 1, 2020	Forfeited before capitalization issue	Capitalisation issue	Forfeited after Capitalization issue	Exercised after Capitalization issue	Outstanding at December 31, 2020
2019 WuXi AppTec H Share Appreciation Incentive Scheme	2,620,135	102,347	1,007,115	339,819	966,651	2,218,433
Total	2,620,135	102,347	1,007,115	339,819	966,651	2,218,433

45. SHARE-BASED COMPENSATION (continued)

2019 WuXi AppTec H Share Appreciation Incentive Scheme (continued)

The fair value of the units granted under 2019 WuXi AppTec H Share Appreciation Incentive Scheme as each reporting date was determined using the Black-Scholes model. The fair value and corresponding inputs into the model were as follows:

	December 31, 2020	December 31, 2019
H Share price (HKD)	**151.80**	96.65
Subscribe price (HKD)	**51.43**	72.00
Expected volatility in the black-out period	**42.06%–47.47%**	40.16%–47.24%
Expected life (years)	**0.92–1.92**	0.92–2.92
Risk-free interest rate	**0.07%–0.13%**	2.41%–2.66%
Dividend yield rate	**0.33%**	0.95%

For the year ended December 31, 2020, the Group has recorded share-based expenses of RMB107,048,000 (2019: RMB14,501,000) in relation to 2019 WuXi AppTec A Share Options Incentive Scheme — Stock Option.

2019 WuXi AppTec A Share Incentive Scheme — Reserved Restricted Shares

On June 10, 2020, Board of Directors of the Company passed a resolution to grant 427,000 A Shares of the Company to eligible employees to subscribe at the price of RMB40.59 per A Share under the reserved part of 2019 WuXi AppTec A Share Incentive Scheme ("2019 WuXi AppTec A Share Incentive Scheme-Reserved Restricted Shares") under the authorization of the shareholders' meeting. These granted restricted A Shares have a contractual term of no more than four years and unlock over a three year period, with 40%, 30% and 30% of the awards unlocking on the first, second and third anniversary date of the A Shares registration date upon meeting certain annual performance conditions. Pursuant to the black-out period provisions of the 2019 WuXi AppTec A Share Incentive Scheme-Reserved Restricted Shares, employees shall not transfer the A Shares which fulfill the unlocking conditions to any third party in any form within the six months from each unlocking anniversary date.

Details of specific categories of restricted shares are as follows:

	Date of grant	**Number of restricted A shares**	**Subscribe price per share**
2019 WuXi AppTec A Share Incentive Scheme — Reserved Restricted Shares	June 10, 2020	427,000	RMB40.59

45. SHARE-BASED COMPENSATION (continued)

2019 WuXi AppTec A Share Incentive Scheme — Reserved Restricted Shares (continued)

Set out below are details of the movements of the outstanding units granted under the 2019 WuXi AppTec A Share Incentive Scheme-Reserved Restricted Shares throughout the reporting period:

	Outstanding at January 1, 2020	Granted during the year	Forfeited during the year	Outstanding at December 31, 2020
2019 WuXi AppTec A Share Incentive Scheme — Reserved Restricted Shares	—	427,000	43,760	383,240
Total	—	427,000	43,760	383,240

The fair value of the restricted A shares granted under 2019 WuXi AppTec A Share Incentive Scheme-Reserved Restricted Shares as at the grant date was determined using the Black-Scholes model by factoring the black-out period into the option pricing model. The fair value and corresponding inputs into the model were as follows:

	2019 WuXi AppTec A Share Incentive Scheme — Reserved Restricted Shares
Grant date A Share price (RMB)	81.31
Subscribe price (RMB)	40.59
Expected volatility in the black-out period	44.27%–48.08%
Black-out period (year)	0.5
Expected life (years)	2–4
Risk-free interest rate	1.72%–2.42%
Dividend yield rate	0.41%

For the year ended December 31, 2020, the Group has recorded share-based expenses of RMB4,445,000 in relation to 2019 WuXi AppTec A Share Incentive Scheme-Reserved Restricted Shares.

45. SHARE-BASED COMPENSATION (continued)

2019 WuXi AppTec A Share Incentive Scheme — Reserved Options

On June 10, 2020, Board of Directors of the Company passed a resolution to grant 29,131 A Shares stock options to a eligible employee under the reserved part of 2019 WuXi AppTec A Share Incentive Scheme ("2019 A Share Incentive Scheme — Reserved Options") under the authorization of the shareholders' meeting.

(1) Details of specific categories of options are as follows:

	Date of grant	Number of options shares	Exercise price
2019 WuXi AppTec A Share Incentive Scheme — Reserved Options	June 10, 2020	29,131	RMB81.17

(2) Options granted under the 2019 WuXi AppTec A Share Incentive Scheme — Reserved Options shall have a contractual term of 54-months and vest over a 54-months period, with 40%, 30% and 30% of total options vesting on the first, second, third anniversary date 18 months after the vesting commencement date upon meeting certain annual performance conditions.

Set out below are details of the movements of the outstanding units granted under the 2019 WuXi AppTec A Share Incentive Scheme — Reserved Options throughout the reporting period:

	Outstanding at January 1, 2020	Granted during the year	Forfeited during the year	Outstanding at December 31, 2020
2019 WuXi AppTec A Share Incentive Scheme — Reserved Options	—	29,131	29,131	—
Total	—	29,131	29,131	—

45. SHARE-BASED COMPENSATION (continued)

2020 WuXi AppTec H Share Award and Trust Scheme

On August 31, 2020, the first extraordinary general meeting of 2020 approved the resolution in relation to the proposed adoption of the 2020 WuXi AppTec H Share Award and Trust Scheme ("2020 H Share Award Scheme") and authorized Board of Directors of the Company to handle related matters. Under 2020 H Share Award Scheme, the Company has signed a trust deed with Computershare Hong Kong Trustees Limited (the "Trustee") and provided Trustee with funds in the amount of not more than HK$700 million to purchase H shares of the Company through on-market transactions from time to time at the prevailing market price. On December 2, 2020, Board of Directors of the Company passed a resolution to grant 5,498,666 H Shares of the Company (equivalent to HKD619,587,950) to 2,444 eligible employees. These granted awarded H Shares have four vesting period, with 25%, 25%, 25% and 25% of the awards within the year immediately following the first, second, third and fourth anniversary date of the grant date upon meeting certain annual performance conditions. The employees shall have no right to any dividend underlying the non-vested Awarded Shares or any of the returned shares or any dividend, right to any cash or non-cash income, distribution, sale proceeds of non-cash and non-scrip distributions underlying the returned shares, all of which shall be retained by the Trustee for the benefit of the 2020 H Share Award Scheme.

Details of specific categories of restricted shares are as follows:

Categories	Date of grant	Number of Awarded H shares	Value of the Awarded H shares
Dr. Ge Li	02/12/2020	106,449	HKD11,991,574
Mr. Edward Hu	02/12/2020	53,224	HKD5,995,787
Dr. Steve Qing Yang	02/12/2020	53,224	HKD5,995,787
Mr. Zhaohui Zhang	02/12/2020	23,655	HKD2,664,794
Dr. Ning Zhao	02/12/2020	23,655	HKD2,664,794
Mr. Ellis Bih-Hsin Chu	02/12/2020	23,655	HKD2,664,794
Mr. Minzhang Chen	02/12/2020	35,483	HKD3,997,191
Dr. Shuhui Chen	02/12/2020	35,483	HKD3,997,191
Mr. Harry Liang He	02/12/2020	7,885	HKD888,265
Ms. Minfang Zhu	02/12/2020	2,628	HKD296,088
Ms. Wendy J. Hu	02/12/2020	5,256	HKD592,176
Ms. Cuiping Hu	02/12/2020	1,555	HKD175,200
Employees	02/12/2020	5,126,514	HKD577,664,309

45. SHARE-BASED COMPENSATION (continued)

2020 WuXi AppTec H Share Award and Trust Scheme (continued)

Set out below are details of the movements of the outstanding units granted under the 2020 WuXi AppTec H Share Award and Trust Scheme throughout the reporting period:

	Outstanding at January 1, 2020	Granted during the year	Forfeited during the year	Outstanding at December 31, 2020
2020 WuXi AppTec H Share Award and Trust Scheme	—	5,498,666	17,319	5,481,347
Total	—	5,498,666	17,319	5,481,347

The fair value of the awarded shares was calculated based on the market price of the Company's H shares at the respective grant date. The weighted average fair value of awarded shares granted during the year ended 31 December 2020 was HKD119.40 per share (equivalent to approximately RMB101.05 per share).

For the year ended December 31, 2020, the Group has recorded share-based expenses of RMB21,393,000 in relation to 2020 WuXi AppTec H Share Award and Trust Scheme.

46. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statements of cash flows as cash flows from financing activities.

	Dividends payable *RMB'000*	Payable for issue cost *RMB'000*	Convertible bonds *RMB'000*	Amounts due to related parties non-trade related *RMB'000*	Lease liabilities *RMB'000*	Considerations received for subscribing restricted A shares *RMB'000*	Payables for acquisition of a property *RMB'000*	Borrowings *RMB'000*	Interest payables *RMB'000*	Total *RMB'000*
At January 1, 2019	—	39,536	—	—	790,978	285,989	234,808	135,000	166	1,486,477
Financing cash flows	(678,641)	(48,119)	2,079,462	—	(160,545)	423,091	(200,255)	2,430,936	(51,837)	3,794,092
Non-cash changes										
— Accrued interest expense	—	—	19,895	—	45,682	—	5,447	—	56,996	128,020
— Dividends declared	678,641	—	—	—	—	(3,263)	—	—	—	675,378
— CIP reclass	—	—	—	—	—	—	(40,000)	—	—	(40,000)
— Deferred issue costs	—	8,583	4,057	—	—	—	—	—	—	12,640
— Right-of-use assets addition	—	—	—	—	558,570	—	—	—	—	558,570
— Right-of-use assets disposal	—	—	—	—	(2,951)	—	—	—	—	(2,951)
— Acquisition of a subsidiary	—	—	—	—	1,379	—	—	—	—	1,379
— Fair value loss	—	—	98,145	—	—	—	—	—	—	98,145
— Foreign exchange effects	—	—	(28,631)	—	14,073	—	—	6,321	—	(8,237)
At December 31, 2019	—	—	2,172,928	—	1,247,186	705,817	—	2,572,257	5,325	6,703,513
Financing cash flows	**(556,430)**	**(13,124)**	**—**	**—**	**(233,811)**	**(9,770)**	**—**	**(1,283,557)**	**(81,685)**	**(2,178,377)**
Non-cash changes										
— Accrued interest expense	**—**	**—**	**69,066**	**—**	**54,205**	**—**	**—**	**—**	**72,762**	**196,033**
— Dividends declared	**556,430**	**—**	**—**	**—**	**—**	**(6,622)**	**—**	**—**	**—**	**549,808**
— 2018 Option Tranche one vested	**—**	**—**	**—**	**—**	**—**	**(2,907)**	**—**	**—**	**—**	**(2,907)**
— Restricted A shares Tranche one vested	**—**	**—**	**—**	**—**	**—**	**(106,383)**	**—**	**—**	**—**	**(106,383)**
— Issue costs	**—**	**13,124**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**13,124**
— Right-of-use assets addition	**—**	**—**	**—**	**—**	**177,400**	**—**	**—**	**—**	**—**	**177,400**
— Right-of-use assets disposal	**—**	**—**	**—**	**—**	**(15,915)**	**—**	**—**	**—**	**—**	**(15,915)**
— Acquisition of a subsidiary	**—**	**—**	**—**	**—**	**15,474**	**—**	**—**	**—**	**—**	**15,474**
— Fair value loss	**—**	**—**	**1,349,387**	**—**	**—**	**—**	**—**	**—**	**—**	**1,349,387**
— Foreign exchange effects	**—**	**—**	**(190,292)**	**—**	**—**	**—**	**—**	**(58,689)**	**4,446**	**(244,535)**
At December 31, 2020	**—**	**—**	**3,401,089**	**—**	**1,244,539**	**580,135**	**—**	**1,230,011**	**848**	**6,456,622**

47. CAPITAL COMMITMENTS

The Group had capital commitments under non-cancellable contracts as follows:

	31/12/2020	31/12/2019
	RMB'000	*RMB'000*
Commitments for the acquisition of property, plant and equipment	**2,238,197**	748,328
Commitments for the investments in associates and joint ventures	**13,050**	34,881
	2,251,247	783,209

48. RETIREMENT BENEFIT PLANS

The employees of the Group's subsidiaries in the PRC are members of the state-managed retirement benefits schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of payroll costs to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes is to make the specified contributions.

The total cost charged to profit or loss in respect of the above-mentioned schemes amounted to approximately RMB430,685,000 for the year ended December 31, 2020 (2019: RMB395,337,000).

The Group has a defined contribution plan in the USA where participating employees may contribute to the plan 1% to 99% of their eligible annual compensation as defined in the Plan, up to the Internal Revenue Service contribution (the "IRS contribution") limit of USD19,500 for the years ended December 31, 2020.

The Group makes a matching contribution of participants' elective deferral contribution of 100% of the first 2% and 50% for the next 4% of eligible participant contributions, with a maximum matching contribution of 4.0% of eligible participant compensation.

The total cost charged to expense in respect to the above mentioned defined contribution plan amounted to approximately USD5,754,000, equivalent to RMB39,703,000 (2019: USD4,459,000, equivalent to RMB30,754,000) for the years ended December 31, 2020.

49. CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at December 31, 2020 (December 31, 2019: nil).

50. RELATED PARTY TRANSACTIONS AND BALANCES

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operational decisions. Parties are also considered to be related if they are subject to common control. Members of key management and their close family members of the Group are also considered as related parties.

The following significant transactions were carried out between the Group and its related parties during the years presented. In the opinion of the directors, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

(1) Names and relationships with related parties

The following companies are significant related parties of the Group that had transactions and/or balances with the Group during the reporting period.

Company	Relationship
Faxian Therapeutics, LLC.	Joint venture
Shanghai Waigaoqiao WuXi AppTec Incubator Management Co., Ltd.	Joint venture
WuXi MedImmune Biopharmaceutical Co. Limited.	Joint venture
Jing Medicine Technology (Shanghai) Ltd.	Associate
JW Cayman and its subsidiaries (Note a)	Associate
PhageLux Inc.	Associate
WuXi AppTec ZK (Suzhou) Bioscience Ltd.	Fellow subsidiary
WuXi HealthNet (Shanghai) Co., Ltd	Fellow subsidiary
Wuxi Diagnostic Lab (Shanghai) Co., Ltd.	Fellow subsidiary
Wuxi Diagnostic Medical Testing Institute (Shanghai) Co., Ltd	Fellow subsidiary
Mingma Technologies Co., Ltd. (formerly known as "WuXi NextCode Genomics (Shanghai) Co., Ltd.")	Fellow subsidiary
WuXi Diagnostics Management (Shanghai) Co., Ltd.	Fellow subsidiary
WuXi NextCode Technology (Shanghai) Co., Ltd.	Fellow subsidiary
Bright Angel Investments Ltd ("Bright Angel")	Fellow subsidiary
Hodge Lake LLC ("Hodge Lake")	Fellow subsidiary
WuXi Huiying Investment Management (Suzhou) Co., Ltd. (WuXi RMB Fund")	Entity significantly influenced by a Controlling Shareholder
WuXi Vaccines Co., Ltd. (Note b)	Entity significantly influenced by a Controlling Shareholder
WuXi Biologics Co., Ltd. (Note b)	Entity significantly influenced by a Controlling Shareholder
WuXi Biologics (Shanghai) Co., Ltd. (Note b)	Entity significantly influenced by a Controlling Shareholder
WuXi Biologics (Hong Kong) Limited (Note b)	Entity significantly influenced by a Controlling Shareholder

50. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(1) Names and relationships with related parties (continued)

Company	Relationship
WuXi Biologics USA, LLC (Note b)	Entity significantly influenced by a Controlling Shareholder
WuXi Biologics Conjugation Co., Ltd. (Note b)	Entity significantly influenced by a Controlling Shareholder
Bestchrom (Shanghai) Biosciences Co. Ltd. (Note b)	Entity significantly influenced by a Controlling Shareholder
D3 Bio, Inc. (“D3”) (Note c)	Entity significantly influenced by a Controlling Shareholder
Edward Hu, Harry Liang He, Minzhang Chen, Xiangli Liu	Key management personnels
Ge Li, Xiaozhong Liu, Zhaohui Zhang	Ultimate controlling shareholders

Notes:

a. During the current year, the Group lost its significant influence on JW Cayman and evaluated that JW Cayman and its subsidiaries were no longer its associates.

b. From May 25, 2020, the ultimate controlling shareholders of the Company, ceased to be a controlling shareholder of WuXi Biologics (Cayman) Inc. and its subsidiaries (“Wuxi Bio Group”), and became the substantial shareholders. From then on, Wuxi Bio Group were no longer fellow subsidiaries of the group. Related party transaction and balance since 2020 are listed in Entities significantly influenced by a Controlling Shareholder.

c. A subsidiary of the Group, along with Hodge Lake, Bright Angel and WuXi RMB Fund agreed to purchase totally 29.65% of the issued share capital of D3 upon completion of the Final Second Closing. From November 17, 2020, the Group will disclose D3 as entity significantly influenced by a controlling holder under accounting rule.

(2) Related party transactions:

(a) *Provision of research and development service*

	Year ended 31/12/2020 RMB'000	Year ended 31/12/2019 RMB'000
Associates	**5,464**	7,824
Joint ventures	**21,906**	21,849
Entities significantly influenced by a Controlling Shareholder	**794**	—
Fellow subsidiaries	**82,869**	17,363
	111,033	47,036

50. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(2) Related party transactions: (continued)

(b) Research and development service received

	Year ended 31/12/2020 RMB'000	Year ended 31/12/2019 RMB'000
Entity significantly influenced by a Controlling Shareholder	**1,540**	—
Fellow subsidiaries	**3,122**	2,406
	4,662	2,406

(c) Provision of administrative service

	Year ended 31/12/2020 RMB'000	Year ended 31/12/2019 RMB'000
Associates	**1,422**	3,832
Joint ventures	**—**	16
Entities significantly influenced by a Controlling Shareholder	**700**	—
Fellow subsidiaries	**10,298**	2,443
	12,420	6,291

(d) Sales of raw materials

	Year ended 31/12/2020 RMB'000	Year ended 31/12/2019 RMB'000
Fellow subsidiaries	**1**	—
Entity significantly influenced by a Controlling Shareholder	**181**	—
An associate	**43**	1,156
	225	1,156

50. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(2) Related party transactions: (continued)

(e) Provision of premises sub-leasing services

	Year ended 31/12/2020 RMB'000	Year ended 31/12/2019 RMB'000
Entities significantly influenced by a Controlling Shareholder	**1,304**	—
A Fellow subsidiary	**—**	4,384
	1,304	4,384

(f) Sequencing service received

	Year ended 31/12/2020 RMB'000	Year ended 31/12/2019 RMB'000
Fellow subsidiaries	**6,449**	8,678

(g) Sales of property and equipment

	Year ended 31/12/2020 RMB'000	Year ended 31/12/2019 RMB'000
Entities significantly influenced by a Controlling Shareholder	**133**	—
Fellow subsidiaries	**7**	145
	140	145

(h) Purchase of property and equipment

	Year ended 31/12/2020 RMB'000	Year ended 31/12/2019 RMB'000
Fellow subsidiaries	**89**	115

50. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(2) Related party transactions: (continued)

(i) Administrative service received

	Year ended 31/12/2020 RMB'000	Year ended 31/12/2019 RMB'000
A fellow subsidiary	**77**	—

(j) Rental expenses

	Year ended 31/12/2020 RMB'000	Year ended 31/12/2019 RMB'000
A joint venture	**5,588**	—

Note: instead of applying the recognition requirements of IFRS 16, the Group elects to account for lease payments as an expense on a straight-line basis over the lease term for leases with a lease term of 12 months or less and containing no purchase options or leases where the underlying asset has a low value when new.

(k) Purchase of raw materials

	Year ended 31/12/2020 RMB'000	Year ended 31/12/2019 RMB'000
Entities significantly influenced by a Controlling Shareholder	**1,393**	—
Fellow subsidiaries	**—**	796
	1,393	796

(l) Interest expenses on lease liabilities

	Year ended 31/12/2020 RMB'000	Year ended 31/12/2019 RMB'000
A fellow subsidiary	**180**	42
A joint venture	**101**	—
	281	42

50. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(2) Related party transactions: (continued)

(m) Depreciation charge on right-of-use assets

	Year ended 31/12/2020 RMB'000	Year ended 31/12/2019 RMB'000
A fellow subsidiary	1,587	293
A joint venture	991	—
	2,578	293

(n) Equity transactions

(i) On October 19, 2020, WuXi PharmaTech Healthcare Fund I L.P. ("WuXi Fund I"), a subsidiary of the company, among a total of 15 other investors, which includes Hodge Lake, entered into the Subscription Agreement with Pontifax (Cayman) VI L.P. ("Fund") WuXi Fund I has agreed to make an investment in the Fund at the Subscription Amount of US$5 million, which represents approximately 3.39% of the Investment Funds raised.

Hodge Lake is an associate of Dr. Ning Zhao and therefore a connected person of the Company. Accordingly, the Subscription, which involves WuXi Fund I and Hodge Lake making investments in the Fund in the same round of investment, constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

(ii) On November 17, 2020, WuXi Fund I, among a total seven other investors, entered into the Share Purchase Agreement with D3, pursuant to which WuXi Fund I has agreed to purchase, and D3 has agreed to issue and sell, 21,000,000 Series A-1 Shares, which represents approximately 16.67% of the issued share capital of D3 on a fully-diluted and as-converted basis upon completion of the Final Second Closing, at the total consideration of US$21 million.

Certain other investors to the Share Purchase Agreement, namely Hodge Lake, Bright Angel and WuXi RMB Fund, are "associates" (as defined under Chapter 14A of the Listing Rules) of our executive Directors, Dr. Ge Li and Dr. Ning Zhao and therefore each a connected person of the Company. Accordingly, the Series A Investment, which involves WuXi Fund I, Hodge Lake, Bright Angel and WuXi RMB Fund making investments in D3 in the same round of investment, constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

50. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(3) Related party balances

AMOUNTS DUE FROM RELATED PARTIES

	31/12/2020 *RMB'000*	31/12/2019 *RMB'000*
Trade receivables		
Associates	**1,687**	2,302
Joint ventures	**1,521**	165
Entities significantly influenced by a Controlling Shareholder	**52,897**	7,221
	56,105	9,688
Non-trade related		
Other receivables		
Fellow subsidiaries	**720**	639
Entity significantly influenced by a Controlling Shareholder	**60**	—
An associate	**—**	3,015
Other receivables	**780**	3,654
Other non-current asset	**419**	174
Total amounts due from related parties	**57,304**	13,516

The Group

The Group allows a credit period within 90 days to its customers. The following is an aging analysis of trade related amounts due from related parties (net of allowance for impairment losses) presented based on the invoice dates, at the end of each year in the reporting period:

	31/12/2020 *RMB'000*	31/12/2019 *RMB'000*
Within 90 days	**56,105**	9,688

In determining the recoverability of the trade related amounts due from related parties, the Group considers any change in the credit quality of the trade related amount due from related parties from the date on which the credit was initially granted up to the reporting date.

50. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(3) Related party balances (continued)

AMOUNTS DUE TO RELATED PARTIES

	31/12/2020 *RMB'000*	31/12/2019 *RMB'000*
Considerations received from key management personnel for subscribing restricted A shares of the Company under the 2019 and 2018 WuXi AppTec A Share Incentive Scheme (Note 45)	**22,967**	24,205
Trade payables		
Entity significantly influenced by a Controlling Shareholder	**767**	—
Fellow subsidiaries	**11**	591
Other payables		
A fellow subsidiary	**100**	—
	23,845	24,796

As at December 31, 2020, included in the contract liabilities of the Group is RMB11,270,000 (December 31, 2019: RMB10,437,000) received from associates and a joint venture of the Group in advance of delivery of services.

As at December 31, 2020, included in the contract Assets of the Group is RMB1,462,000 (December 31, 2019: RMB455,000) due to joint ventures.

As at December 31, 2020, included in the Prepayment of the Group is RMB488,000 (December 31, 2019: RMB1,198,000) due to a fellow subsidiary.

As at December 31, 2020, included in the right-of-use assets of the Group is RMB5,091,000 (December 31, 2019: RMB1,857,000) due to a Joint venture and a fellow subsidiary.

As at December 31, 2020, included in the lease liabilities of the Group is RMB5,306,000 (December 31, 2019: RMB1,873,000) due to a fellow subsidiary and a joint venture of the Group.

50. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(4) Compensation of key management personnel

The remuneration of the directors of the Company and other members of key management of the Group during the reporting period were as follows:

	Year ended 31/12/2020 RMB'000	Year ended 31/12/2019 RMB'000
Director Fee	**1,313**	1,000
Salaries and other benefits	**34,261**	29,904
Performance-based bonus	**29,208**	22,053
Share-based compensation	**23,611**	7,618
	88,393	60,575

The remuneration of key management is determined with reference to the performance of the individuals and market trends

51. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

51.1 General information of subsidiaries

Details of the subsidiaries directly and indirectly held by the Company at the end of the reporting period are set out below.

Full Name of subsidiaries	Place and date of Incorporation/ establishment	Type of legal entity under PRC law	Authorized share capital/Registered capital	Attributable equity interest held by the Company as at December 31, 2020 Direct	December 31, 2020 Indirect	December 31, 2019 Direct	December 31, 2019 Indirect	Principal activities
WXAT Shanghai (上海藥明康德新藥開發有限公司)	PRC/April 2, 2002	Limited liability company	RMB6,000,000,000	**100.00%**	**—**	100.00%	—	Discovery, research and development of small molecule
Shanghai SynTheAll Pharmaceutical Co., Ltd. (上海合全藥業股份有限公司) ("STA")	PRC/January 23, 2003	Limited liability company	RMB451,938,441	**—**	**97.90%**	—	97.79%	Process development, improvement and production services for small molecule drugs
Shanghai STA Pharmaceutical R&D Co., Ltd. (上海合全藥物研發有限公司) ("STARD")	PRC/April 15, 2011	Limited liability company	RMB30,000,000	**—**	**97.90%**	—	97.79%	Process development, services for small molecule drugs
Changzhou SynTheAll Pharmaceutical Co., Ltd. (常州合全藥業有限公司) ("STACZ")	PRC/September 29, 2013	Limited liability company	RMB1,600,000,000	**—**	**97.90%**	—	97.79%	Process development, improvement and production services for small molecule drugs

51. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

51.1 General information of subsidiaries (continued)

Full Name of subsidiaries	Place and date of Incorporation/ establishment	Type of legal entity under PRC law	Authorized share capital/Registered capital	Attributable equity interest held by the Company as at December 31, 2020 Direct	December 31, 2020 Indirect	December 31, 2019 Direct	December 31, 2019 Indirect	Principal activities
STA Pharmaceutical Hong Kong Limited (合全藥業香港有限公司) ("STAHK")	Hong Kong (the "HK") of PRC/April 12, 2011	N/A	HK$10,000	**—**	**97.90%**	—	97.79%	Business development and trade services
WuXi AppTec (Wuhan) Co., Ltd (武漢藥明康德新藥開發有限公司) ("WXAT Wuhan")	PRC/November 12, 2010	Limited liability company	RMB196,239,000	**60.00%**	**40.00%**	60.00%	40.00%	Discovery, research and development of small molecule drugs
WuXi AppTec (Suzhou) Co., Ltd. (蘇州藥明康德新藥開發有限公司) ("WXAT Suzhou")	PRC/October 8, 2006	Limited liability company	RMB600,000,000	**80.06%**	**19.94%**	80.06%	19.94%	Pharmacology, toxicology and safety evaluation research services
WuXi AppTec (Tianjin) Co., Ltd. (天津藥明康德新藥開發有限公司) ("WXAT Tianjin")	PRC/March 26, 2012	Limited liability company	RMB600,000,000	**100.00%**	**—**	100.00%	—	Discovery, research and development of small molecule drugs
WuXi AppTec (Hong Kong) Limited (藥明康德(香港)有限公司) ("WXAT HK")	HK of PRC/March 26, 2012	N/A	HK$10,000	**100.00%**	**—**	100.00%	—	Business development and trade services
WuXi AppTec International Holdings Limited (藥明康德國際控股有限公司) ("WXAT International")	BVI/December 17, 2015	N/A	2,000,000 authorized shares, no par value	**100.00%**	**—**	100.00%	—	Holding Company
WuXi AppTec (Hong Kong) Holding Limited	BVI/January 6, 2015	N/A	HK$10,000	**—**	**100.00%**	—	100.00%	Holding Company
WuXi AppTec (Chengdu) Co., Ltd. (成都藥明康德新藥開發有限公司)	PRC/September 20, 2017	Limited liability company	RMB550,000,000	**100.00%**	**—**	100.00%	—	Discovery, research and development of small molecule drugs
WuXi ATU Holding Limited	HK of PRC/October 28, 2019	N/A	HK$10,000	**100.00%**	**—**	100.00%	—	Holding Company

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of the year.

51. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

(continued)

51.2 Details of non-wholly subsidiaries that have material non-controlling interests

	Principal place of business and place of incorporation	Proportion of ownership interests as at		Profit (loss) allocated to non-controlling Interests for the year ended		Accumulated non-controlling interests as at	
		31/12/2020	31/12/2019	31/12/2020 RMB'000	31/12/2019 RMB'000	31/12/2020 RMB'000	31/12/2019 RMB'000
STA Group	PRC	**97.90%**	97.79%	**23,240**	58,484	**150,658**	98,776
Individually immaterial subsidiaries with non-controlling interests				**2,775**	(1,626)	**74,090**	(1,321)
Total				**26,015**	56,858	**224,748**	97,455

Summarized financial information in respect of STA Group is set out below. The summarized information below represents amounts before intragroup eliminations.

STA Group

	31/12/2020 RMB'000	31/12/2019 RMB'000
Current assets	**5,155,335**	2,782,977
Non-current assets	**5,245,935**	3,556,062
Current liabilities	**2,767,816**	1,459,771
Non-current liabilities	**457,885**	419,535
Equity attributable to owners of the Company	**7,024,911**	4,360,957
Non-controlling interests	**150,658**	98,776

51. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

51.2 Details of non-wholly subsidiaries that have material non-controlling interests (continued)

STA Group (continued)

	Year ended 31/12/2020 ***RMB'000***	Year ended 31/12/2019 *RMB'000*
Revenue	**5,252,495**	3,761,264
Expenses	**(4,229,720)**	(2,908,011)
Profit attributable to owners of the Company	**999,535**	794,769
Profit attributable to the non-controlling interests of STA Group	**23,240**	58,484
Profit for the year	**1,022,775**	853,253
Other comprehensive income attributable to owners of the Company	**318,603**	9,496
Other comprehensive income attributable to the non-controlling interests of STA Group	**6,953**	699
Other comprehensive income for the year	**325,556**	10,195
Total comprehensive income attributable to owners of the Company	**1,318,138**	804,265
Total comprehensive income attributable to the non-controlling interests	**30,193**	59,183
Total comprehensive income for the year	**1,348,331**	863,448
Dividends paid to non-controlling interests of STA Group	**—**	—
Net cash inflow from operating activities	**1,087,921**	921,386
Net cash outflow from investing activities	**(1,438,575)**	(1,160,388)
Net cash inflow from financing activities	**692,836**	97,261
Net cash inflow (outflow)	**342,182**	(141,741)

51. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

51.3 Change in ownership interest in subsidiaries

For the year ended December 31, 2020

In May 2020, totalling 6,672,780 ordinary STA Shares were vested under the STA Share Option Scheme (details set out in Note 45), which diluted the Company's indirect equity interest in STA.

In May 2020, totalling 640,000 non-controlling ordinary STA Shares were purchased by WXAT Shanghai, which increased the Company's indirect equity interest in STA.

In June 2020, totalling 2,332,636 ordinary STA Shares were exercised under the STA Overseas Employees Incentive Scheme (details set out in Note 45), which diluted the Company's indirect equity interest in STA.

In June 2020, totalling 8,502,256 non-controlling ordinary STA Shares were purchased by WXAT Shanghai, which increased the Company's indirect equity interest in STA.

In July 2020, totalling 79,140 non-controlling ordinary STA Shares were purchased by WXAT Shanghai, which increased the Company's indirect equity interest in STA.

During November to December 2020, STA issued totalling 22,985,930 ordinary Shares to WXAT Shanghai, which increased the Company's indirect equity interest in STA.

After the transactions as above, the Group increased its equity interest in STA from 97.79% at the beginning of the year to 97.90% at the end of the year. The difference of RMB427,317,000 between aggregate increase in the non-controlling interests and the consideration paid by the Group has been adjusted to decrease capital reserve.

In June 2020, Wuxi Guolian Guokang Health Industry Center (Limited Partnership) increased its capital by RMB60,000,000 in Wuxi MedKey Med-Tech Development Co., Ltd., a wholly-owned subsidiary of the Group, and accounted for 20% of the equity of Wuxi Pharmaceutical Technology Co., Ltd. The difference of RMB45,000,000 between the consideration received by the Group and the decreased share of net assets has been adjusted to increase capital reserve.

51. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

51.3 Change in ownership interest in subsidiaries (continued)

For the year ended December 31, 2019

In July 2019, totalling 1,245,198 ordinary STA Shares were exercised under the STA Overseas Employees Incentive Scheme (details set out in Note 45), which diluted the Company's indirect equity interest in STA.

In October 2019, totalling 48,000 ordinary STA Shares were exercised under the STA Overseas Employees Incentive Scheme (details set out in Note 45), which diluted the Company's indirect equity interest in STA.

In December 2019, totaling 3,204,780 ordinary STA Shares are vested under the STA Share Option Scheme (details set out in Note 45), which diluted the Company's indirect equity interest in STA.

In addition, the Group acquired additional equity interest of STA for several times at a total consideration of RMB2,578,220,000.

After the transactions as above, the Group increased its equity interest in STA from 86.57% at the beginning of the year to 97.79% at the end of the year. The difference of RMB2,106,765,000 between aggregate decrease in the non-controlling interests and the consideration paid by the Group has been credited to capital reserve.

52. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	31/12/2020 RMB'000	31/12/2019 RMB'000
Non-current Assets		
Interests in subsidiaries	**17,559,209**	8,884,910
Right-of-use assets	**88,554**	90,885
Property, plant and equipment	**1,440**	1,440
	17,649,203	8,977,235
Current Assets		
Amounts due from subsidiaries	**4,604,885**	3,446,512
Trade and other receivables	**16,767**	12,066
Financial assets at FVTPL	**3,248,888**	451,622
Bank balances and cash	**5,955,615**	3,414,206
	13,826,155	7,324,406
Current Liabilities		
Amounts due to subsidiaries	**713,751**	24,554
Amounts due to related parties	**19,227**	24,205
Trade and other payables	**594,728**	708,950
Income tax payables	**—**	10,647
	1,327,706	768,356
Net Current Assets	**12,498,449**	6,556,050
Total Assets Less Current Liabilities	**30,147,652**	15,533,285
Non-Current Liabilities		
Convertible bonds-debt component	**1,819,029**	1,874,915
Convertible bonds-embedded derivative component	**1,582,060**	298,013
	3,401,089	2,172,928
Net Assets	**26,746,563**	13,360,357
Capital and Reserves		
Share capital	**2,441,685**	1,651,127
Reserves	**24,304,878**	11,709,230
Total Equity	**26,746,563**	13,360,357

52. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (continued)

Movement in the Company's reserves

	Share premium *RMB'000*	Treasury shares *RMB'000*	Statutory reserve *RMB'000*	Other reserve *RMB'000*	Share-based reserve payment *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*
At January 1, 2019	11,225,644	(285,989)	87,709	(8)	20,145	774,841	11,822,342
Profit and total comprehensive income for the year	—	—	—	—	—	585,061	585,061
Share premium transferred to share capital	(468,013)	—	—	—	—	—	(468,013)
Issue of H Shares under the over-allotment option	310,997	—	—	—	—	—	310,997
Issue of restricted A Shares (Note 45)	421,974	(435,396)	—	—	—	—	(13,422)
Repurchase and cancellation of restricted A shares	(11,935)	12,305	—	—	—	—	370
Transferred to statutory reserve	—	—	58,506	—	—	(58,506)	—
Transaction costs attributable to issue of new shares	(8,083)	—	—	—	—	—	(8,083)
Equity-settled share-based payment	—	—	—	—	155,356	—	155,356
Payment for dividends	—	3,263	—	—	—	(678,641)	(675,378)
At December 31, 2019	11,470,584	(705,817)	146,215	(8)	175,501	622,755	11,709,230

52. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (continued)

Movement in the Company's reserves (continued)

	Share premium RMB'000	Treasury shares RMB'000	Statutory reserve RMB'000	Other reserve RMB'000	Share-based reserve payment RMB'000	Retained earnings RMB'000	Total RMB'000
Profit and total comprehensive income for the year	—	—	—	—	—	926,813	926,813
Share premium transferred to share capital	(660,451)	—	—	—	—	—	(660,451)
Issue of new H shares under specific mandate	6,490,456	—	—	—	—	—	6,490,456
Issue of non-public A Shares	6,398,556	—	—	—	—	—	6,398,556
Issue of restricted A Shares (Note 45)	15,172	(15,555)	—	—	—	—	(383)
Issue of A Shares (Note 41)	2,844	—	—	—	—	—	2,844
Repurchase and cancellation of restricted A shares	(26,998)	28,232	—	—	—	—	1,234
Repurchase of H shares under 2020 H Share Awards	—	(609,787)	—	—	—	—	(609,787)
Restricted A shares Tranche vested	84,418	106,383	—	—	(84,418)	—	106,383
2018 Option Tranche one vested	1,254	—	—	—	(1,254)	—	—
Business combination involving enterprises under common control	—	—	—	(59,233)	—	—	(59,233)
Transferred to statutory reserve	—	—	92,681	—	—	(92,681)	—
Equity-settled share-based payment	—	—	—	—	549,024	—	549,024
Payment for dividends	—	6,622	—	—	—	(556,430)	(549,808)
At December 31, 2020	23,775,835	(1,189,922)	238,896	(59,241)	638,853	900,457	24,304,878

53. SUBSEQUENT EVENTS

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 RMB889,537,000 (inclusive of tax) based on the total issued shares of the Company as of the date of this annual report), 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 payment of the cash dividend, dividends will be distributed according to the original dividend amount per share and the total distribution amount 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 annual report, unless the context otherwise requires, the following expressions shall have the following meanings:

"2018 A Share Incentive Plan"	the Restricted A Shares and Stock Option Incentive Plan of 2018 adopted by the Company on August 22, 2018
"2018 Profit Distribution Plan"	the profit distribution plan of the Company for the year ended December 31, 2018 including the Capitalization of Reserve and Profit Distribution as defined in the circular of the Company dated April 18, 2019
"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 Share"	the new shares to be allotted and issued under the 2019 Capitalization of Reserve by the Company
"2019 Profit Distribution Plan"	the profit distribution plan of the Company for the year ended December 31, 2019 including the Capitalization of Reserve and Profit Distribution as defined in the circular of the Company dated March 31, 2020 therein
"2019 Share Appreciation Scheme"	the Share Appreciation Incentive Scheme of 2019 adopted by the Company on September 20, 2019
"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
"A Share Listing"	the initial public offering of its A Shares on the Shanghai Stock Exchange on May 8, 2018

"AAV"	adeno-associated virus
"Actual Selling Price"	the actual price at which the Award Shares are sold (net of brokerage, Stock Exchange trading fee, Securities and Futures Commission transaction levy and any other applicable costs) on vesting of an Award pursuant to the Scheme or in the case of a vesting when there is an event of change in control or privatisation of the Company pursuant to the Scheme Rules, the consideration receivable under the related scheme or offer
"ADME"	adsorption, distribution, metabolism, and excretion
"AGM"	annual general meeting of the Company
"AI"	artificial intelligence
"API"	active pharmaceutical ingredient
"Articles" or "Articles of Association"	the articles of association of the Company as amended from time to time
"Audit Committee"	the audit committee of the Board
"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
"Board of Directors" or "Board"	our board of Directors
"Bonds"	US$300 million zero coupon convertible bonds due 2024 convertible at the option of the holder thereof into fully paid ordinary H Shares of the Company of par value RMB1.00 each at the adjusted conversion price of HK$79.85 per H Share
"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.
"cGMP"	Current Good Manufacturing Practice regulations, regulations enforced by the FDA on pharmaceutical and biotech firms to ensure that the products produced meet specific requirements for identity, strength, quality and purity

"China" or "PRC"	the People's Republic of China, which for the purpose of this annual report and for geographical reference only, excludes Hong Kong, Macau and Taiwan
"CMC"	chemistry, manufacturing and controls, an important and detailed section in a dossier to support clinical studies and marketing applications
"CMO"	Contract Manufacturing Organization, a company that serves other companies in the pharmaceutical industry on a contract basis to provide comprehensive drug manufacturing services
"Company", "our Company", "WuXi AppTec", "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
"Connected Selected Participant(s)"	Selected Participants who are connected persons of the Group, being Dr. Ge Li, Mr. Edward Hu, Dr. Steve Qing Yang, Mr. Zhaohui Zhang, Dr. Ning Zhao, Mr. Ellis Bin-Hsin Chu, Mr. Minzhang Chen, Dr. Shuhui Chen, Mr. Harry Liang He, Ms. Minfang Zhu. Ms. Wendy J. Hu and Ms. Cuiping Hu
"Conversion Price"	the price per H Share(s) to be issued upon conversion of the Convertible Bonds pursuant to the relevant agreements (subject to adjustments) at which the Convertible Bonds may be converted into H Shares
"Convertible Bonds"	US$300 million zero coupon convertible bonds due 2024 convertible at the option of the holder thereof into fully paid ordinary H Shares of the Company of par value RMB1.00 each at the initial Conversion Price of HK$111.80 per H Share, adjusted to the Conversion Price of HK$79.85 per H Share.
"COVID-19"	novel coronavirus pneumonia
"CRO"	Contract Research Organization
"CTA"	Clinical Trial Authorization
"CTDMO"	Contract Testing Development and Manufacturing Organization
"DEL"	DNA-encoded library

"Delegatee"	the Management Committee or person(s) or board committee(s) to which the Board will delegate its authority
"Director(s)"	the director(s) of the Company or any one of them
"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, taxes, depreciation, and amortization
"eCTD"	Electronic Common Technical Document
"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 Delegatee, 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
"EMA"	European Medicines Agency
"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
"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
"Group", "our Group"	the Company and its subsidiaries
"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
"H Share(s)"	Overseas listed foreign shares in the share capital of our Company with nominal value of RMB1.00 each, which are listed on the Stock Exchange

"HKD"	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
"IND"	Investigational New Drug
"Independent Selected Participant(s)"	Selected Participants who are not the Connected Selected Participants
"Initial Grant"	the initial grant of 13,657,803 Restricted A Shares and 5,292,174 share option upon adoption of the 2019 A Share Incentive Plan
"Listing" or "IPO"	the listing of the H Shares on the Main Board of the Stock Exchange on December 13, 2018
"Listing Date"	December 13, 2018, on which the H Shares were listed and from which dealings therein were permitted to take place on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
"M&A"	merger and acquisition
"Management Committee"	the management committee of the Scheme, namely the Chairman and Chief Executive Officer Dr. Ge Li, the Vice Chairman Mr. Edward Hu, and the person-in-charge of the human resources department, financial department and legal department of the Company, to which the Board will delegate its authority to administer the Scheme
"Model Code"	the "Model Code for Securities Transactions by Directors of Listed Issuers" set out in Appendix 10 to the Listing Rules
"NDA"	New Drug Application
"New H Shares"	an aggregate of 68,205,400 new H Shares issued upon the exercise of the specific mandate on August 5, 2020
"NMPA"	National Medical Products Administration
"Nomination Committee"	the nomination committee of the Board
"PDS"	pharmaceutical development services
"PROTAC"	the proteolysis Targeting chimera

"Proposed Issuance of H Shares"	the proposed issuance of the New H Shares under specific mandate by the Company to specific placees
"Proposed Non-public Issuance of A Shares"	the proposed non-public issuance of not more than 75,000,000 A Shares by the Company to specific subscribers
"Prospectus"	the prospectus issued by the Company dated December 3, 2018
"R&D"	research & development
"Remuneration and Appraisal Committee"	the remuneration and appraisal committee of the Board
"Reporting Period"	the year ended December 31, 2020
"Restricted A Shares"	the restricted A Shares granted by the Company under the 2018 WuXi AppTec A Share Incentive Scheme and 2019 A Share Incentive Plan
"Reserved Grant"	any grant of the Reserved Interests subsequent to the Initial Grant under the 2019 A Share Incentive Plan
"Reserved Interests"	reserved interests of 2,105,553 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
"Returned Shares"	such Award Shares that are not vested and/or are forfeited in accordance with the terms of the Scheme, or such H Shares being deemed to be Returned Shares under the Scheme Rules
"RMB"	Renminbi, the lawful currency of the PRC
"Scheme Rules"	the rules governing the operation of the Scheme as well as the implementation procedures (as amended from time to time)
"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
"SFO"	Securities and Futures Ordinance (Chapter 571 of The Laws of Hong Kong)
"Shanghai Stock Exchange"	The Shanghai Stock Exchange (上海證券交易所)
"Share(s)"	Ordinary shares in the capital of our Company with a nominal value of RMB1.00 each, comprising A Shares and H Shares
"Shareholder(s)"	holder(s) of Shares

"SMO"	Site Management Organization
"STA"	Shanghai SynTheAll Pharmaceutical Co., Ltd* (上海合全藥業股份有限公司)
"STA Equity Transfer Agreement"	an equity transfer agreement entered into among WXAT Shanghai, Dr. Ge Li, Mr. Edward Hu, Mr. Xiaozhong Liu, Mr. Zhaohui Zhang, Mr. Minzhang Chen, Mr. Harry Liang He and Ms. Xiangli Liu on July 2, 2019
"STA Shares"	Shares of STA
"Stock Exchange" or "Hong Kong Stock Exchange"	the Stock Exchange of Hong Kong Limited
"Strategy Committee"	the strategy committee of the Board
"Supervisor(s)"	member(s) of our Supervisory Committee
"Subscription"	the issue and subscription of the Convertible Bonds pursuant to the subscription agreement dated September 3, 2019 entered into between the Company, Goldman Sachs (Asia) L.L.C., Huatai Financial Holdings (Hong Kong) Limited, J.P. Morgan Securities plc and Morgan Stanley & Co. International plc (in alphabetical order) and SPDB International Capital Limited in connection with the issue and subscription of the Convertible Bonds
"Supervisory Committee"	the supervisory committee of our Company
"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
"WXAT Shanghai"	WuXi AppTec (Shanghai) Co., Ltd. (上海藥明康德新藥開發有限公司)
"YoY"	year-over-year
"%"	percentage

药明康德
WuXi AppTec

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