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 2019

*For identification purpose only

CONTENTS

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Dr. Ge Li (李革)
(Chairman and Chief Executive Officer)
Mr. Edward Hu (胡正國)
(Co-Chief Executive Officer)
Mr. Xiaozhong Liu (劉曉鐘)
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. Yuen Wing Yan Winnie (袁頴欣)
(ceased on March 24, 2020)
Ms. Siu Wing Kit (蕭頴潔)
(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)

REMUNERATION AND APPRAISAL COMMITTEE

Ms. Yan Liu (劉艷) *(Chairperson)*
Dr. Hetong Lou (婁賀統)
Dr. Ning Zhao (趙寧)

NOMINATION COMMITTEE

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

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
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Hong Kong

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PRC

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Jinshan District
Shanghai
PRC

China Merchants Bank (Waigaoqiao Branch)
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PRC

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China Securities Depository & Clearing
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Hong Kong

STOCK CODE

A Share: 603259
H Share: 02359

COMPANY'S WEBSITE

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Chairman's Statement

Dear Shareholders,

In 2019, the global healthcare industry continued to grow strongly and achieved significant breakthroughs in addressing unmet medical needs and improving patient treatments. The FDA approved 48 new drugs, the second-highest number in the last 20 years, including various first-in-class drugs and drugs for the treatment of orphan diseases. We are grateful to have played a role in enabling many of our global customers to discover and develop medicines. As a result, our Company also experienced accelerated growth in 2019. The implementation of a series of policies in China — such as the reform of the evaluation and approval systems for drugs and medical devices, the Market Authorization Holder policy and the inclusion of innovative drugs into the National Reimbursement Drug List — continued to drive the rapid development of pharmaceutical innovation in China. Looking forward, WuXi AppTec, as an enabling platform of the global healthcare industry, will continue to provide quality services to our customers in this rapidly evolving environment.

We achieved accelerated growth in 2019, attributable to the continued execution of our "long-tail" strategy and our CDMO business model. Our revenue growth accelerated 33.9% over the prior year to RMB12,872 million, and our adjusted Non-IFRS net profit attributable to owners of the Company growth accelerated 38.2% to RMB2,407 million. We leveraged the strength of our integrated, end-to-end R&D services platform to increase customer conversion, creating further synergies across all our business segments. By relentlessly executing our "Follow the Project/Follow the Molecule/Follow the Customer" strategy, the power of our integrated business model allowed us to further capitalize on opportunities within our customer base and achieve robust growth. We also continued to invest in new capabilities and capacity, including talent, laboratories, facilities and technologies globally. We believe these investments will enable us to sustain our long-term growth objectives. To name just a few of our key 2019 highlights:

Lowering entry barriers for new drug R&D and enabling pharmaceutical innovations worldwide

➢ During the Reporting Period, we added over 1,200 new customers and our active customer count reached more than 3,900. By leveraging the strengths of our integrated end-to-end R&D services platform, we were able to create further synergies across our business units.

- Our repeat customers contributed RMB11,735 million revenue, representing 91.2% of total revenue. Our newly added customers contributed RMB1,137 million revenue, representing 8.8% of total revenue.

- 32.3% of our customers used services from more than one of our business units, representing 87.4% of total revenue.

- 59.7% of our revenue came from U.S. customers, 23.0% of our revenue came from China customers, 11.9% of our revenue came from Europe customers and 5.4% of our revenue came from customers from the rest of the world.

- ➢ We anticipated the industry trend early and built our capabilities early. For example, our PROTAC drug discovery and testing platform enabled many global biotech customers to discover PROTAC drugs, which generated RMB474 million revenue in 2019, an increase of 90% over the prior year.

- ➢ Our DEL now contains 90 billion compounds. Since the first year we launched DEL services, 110 customers globally have used our platform to discover innovative small molecule drug hits, including 7 of the top 20 global pharmaceutical companies.

- ➢ In our success-based drug discovery service unit, we filed INDs for 30 new-chemical-entities for China customers and obtained 23 CTA. As of December 31, 2019, we have cumulatively submitted 85 new-chemical-entity IND filings with the NMPA for China customers and obtained 57 CTAs. We now have 1 project in Phase III clinical trials, 6 projects in Phase II clinical trials, and 38 projects in Phase I clinical trials.

- ➢ Our small molecule CDMO/CMO pipeline continues to grow. We now provide CDMO services for about 1,000 active projects, including 40 projects in Phase III clinical trials, and we provide commercial manufacturing services for 21 approved drugs.

- ➢ We continue to make progress in cell and gene therapies CDMO services. Our laboratories and facilities in the U.S. provided services to 31 clinical stage projects, including 23 projects in Phase I clinical trials and 8 projects in Phase II clinical trials. Our laboratories and facilities in China also assisted our partner in submitting 2 IND filings for its cell therapy products with the NMPA.

- ➢ Our clinical research services segment maintained rapid growth. During the Reporting Period, we helped many customers complete NDAs with the NMPA and received approvals. Since the NMPA released its regulations on self-auditing and inspection of clinical trial data of drugs on July 22, 2015, over 40 projects undertaken by our clinical research services and SMO unit were inspected by NMPA and all passed inspections. Among those projects, 38 new drugs have been approved.

Strengthening the capabilities and capacity of our platform to facilitate pharmaceutical R&D

- ➢ We continued to build our oligonucleotide and polypeptide CDMO capabilities. Our oligonucleotide and polypeptide cGMP pilot facility began operation and completed multiple cGMP manufacturing projects for clinical use materials.

- ➢ We continued to strengthen our global clinical research capabilities. Since our acquisition of Research Point Global, we now provide multi-regional clinical development services to our customers.

- ➢ In May 2019, we acquired Pharmapace, Inc., a clinical research services company in San Diego that focuses on biometrics services. Since the Pharmapace acquisition, our biometrics services started offering customers around-the-clock services by leveraging our U.S.-based and China-based teams.

➢ We continued to expand our capacities across all segments and facilities globally to sustain our growth momentum.

- During the Reporting Period, our newly-built Nantong research center began operation.
- In March, 2020, we established our medicinal chemistry services capabilities in the U.S.
- We expanded the capacity of our Suzhou drug safety evaluation center by 80% to meet global customers' preclinical testing needs.
- We expanded CDMO/CMO services capacities. Our CDMO subsidiary — STA's 5th API manufacturing facility in Changzhou — began operation in the third quarter of 2019.
- In January 2020, STA opened its large-scale oligonucleotide API manufacturing facility in Changzhou, China, supporting the process R&D and manufacture of oligonucleotide APIs from preclinical to commercial.
- Early in 2019, our newly-built cell and gene therapies CDMO/CMO facility in Wuxi city began operation, providing services to customers in China.
- We have made investments to increase our gene therapy CDMO capability. In January 2020, our Philadelphia facility expanded its service capabilities by offering a fully integrated AAV Vector Suspension Platform, which will help customers accelerate the timeline for gene therapy product development, manufacturing and release. Its 500L and 1,000L bio-reactor gene therapy manufacturing lines are expected to be operational in the third quarter of 2020.

Cultivating the global new drug R&D network and the healthcare ecosystem

➢ We organized the WuXi Global Forum in San Francisco, U.S., which attracted over 3,000 participants from all over the world. About 30 global healthcare industry leaders participated in in-depth discussions with entrepreneurs, industry participants and investors in the search for new directions and opportunities for the industry.

➢ We also organized the first WuXi AppTec Healthcare Forum in Shanghai, gathering together more than 5,000 participants from 2,000 enterprises and organizations, spanning 20 countries. Scientists, innovators, entrepreneurs, and investors brought their collective insights to explore what breakthroughs have been achieved, the present realities and future possibilities.

➢ We held the 13th WuXi AppTec Life Science and Chemistry Awards ceremony to honor outstanding scientists in the industry, encouraging the transformation from scientific research into healthcare products. Cumulatively, 225 scientists have been awarded and 20 of them have been accepted as fellows by the Chinese Academy of Sciences or Chinese Academy of Engineering.

➢ In February 2020 we organized "Let Science Lead," a special online forum on COVID-19, and invited a dozen leading experts with diversified expertise from around the world to discuss topics of immediate importance, including diagnostics, development of new drugs and vaccines, and the prevention of future pandemics. The experts shared their valuable insights with more than 5,800 online participants.

In early 2020, we encountered the outbreak of COVID-19, which has affected almost every company and individual. Governments, communities, corporations and individuals have actively participated in combatting the pandemic. This situation has served as a good reminder that the current methods of disease prevention, diagnosis and treatment are still limited, and the efficiency of new drug research and development needs to be improved. As a global company with an open-access enabling platform in the global healthcare industry, we must continue to do the right thing for patients — a goal that we have pursued since our founding. We will continue to focus on enabling global partners and assisting them to bring the best medicines to patients in need. With our healthy balance sheet, strong operating cash flow, broad R&D platform and the application of modern telecommunications technology, we will navigate through the COVID-19 crisis with our customers and strengthen our industry-leading position.

Dr. Ge Li
Chairman and Chief Executive Officer

Hong Kong, March 24, 2020

Financial highlights

	For the Year Ended December 31, 2019 RMB'000	2018 RMB'000
Operating results		
Revenue	**12,872,206**	9,613,684
Gross profit	**5,006,148**	3,776,919
Net profit attributable to the owners of the Company	**1,854,551**	2,260,523
Adjusted Non-IFRS net profit attributable to the owners of the Company	**2,407,425**	1,741,600
EBITDA	**3,428,338**	3,318,416
Adjusted EBITDA	**4,014,574**	2,819,309
Profitability		
Gross profit margin	**38.9%**	39.3%
Margin of net profit attributable to the owners of the Company	**14.4%**	23.5%
Margin of adjusted Non-IFRS net profit attributable to the owners of the Company	**18.7%**	18.1%
EBITDA margin	**26.6%**	34.5%
Adjusted EBITDA margin	**31.2%**	29.3%
Earnings per share (RMB)		
— Basic	**1.14**	1.59
— Diluted	**1.12**	1.58
Adjusted earnings per share (RMB)		
— Basic	**1.48**	1.23
— Diluted	**1.46**	1.22

	As at December 31 2019 RMB'000	2018 RMB'000
Financial position		
Total assets	**29,239,134**	22,667,202
Equity attributable to owners of the Company	**17,312,255**	17,688,021
Total liabilities	**11,829,424**	4,501,971
Bank balances and cash	**5,223,293**	5,757,691
Gearing ratio	**40.5%**	19.9%

1. THE MANAGEMENT'S DISCUSSION AND ANALYSIS ON OPERATIONS OF THE GROUP FOR THE REPORTING PERIOD

A. Analysis on Principal Operations

For the year ended December 31, 2019, the Group realized revenue of RMB12,872.2 million, representing a YoY growth of 33.9%. During the Reporting Period, we realized net profit attributable to the owners of the Company of RMB1,854.6 million, representing a YoY decrease of 18.0%.

Revenue

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

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

(1) China-based laboratory services

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

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

In laboratory testing, our services include analytical chemistry, DMPK/ADME, toxicology and bioanalytical testing. In addition, we fully leverage the advantage of the platform and combine our technical experience, program management and regulatory expertise to facilitate submission of our customers' IND package. During the Reporting Period, we signed 52 integrated WIND packages which combine our technical experience, program management and regulatory expertise with our customers, helping many of our global and domestic customers submit their IND packages and obtain FDA clinical trial approval under eCTD format.

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

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

(2) CDMO/CMO services

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

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

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

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

(3) *U.S.-based laboratory services*

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

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

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

(4) *Clinical research and other CRO services*

During the Reporting Period, our clinical research and other CRO services realized revenue of RMB1,062.8 million, representing a YoY growth of 81.8%. Excluding the effect of our acquisitions, the revenue of our clinical research and other CRO services grew 61.4%. Attributable to continued rapid development of the domestic new drug clinical trial market, as well as improved clinical CRO and SMO service quality, capability and capacity, the number of our customers and contracts grew rapidly. During the Reporting Period, the number of customers for our clinical research services increased by 32.6%. The number of cities and hospitals covered by our SMO services increased by 19.5% and 17.6%, respectively.

We continued to build our global clinical research network. In May 2019, we acquired Pharmapace, Inc., a clinical research services company focusing on high quality biometrics services. After the acquisition of Pharmapace, our biometrics services have started gaining momentum and have signed up one major US client for cross border services. As of December 31, 2019, our SMO team had more than 2,600 clinical research coordinators distributed in more than 135 cities throughout China and provides SMO services in more than 900 hospitals maintaining our market leading position and our clinical development services team had more than 860 employees in China and overseas.

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

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

Gross Profit

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

(1) China-based Laboratory Services

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

(2) CDMO/CMO services

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

(3) U.S.-based Laboratory Services

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

(4) Clinical Research and Other CRO Services

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

Other Income

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

Other Gains and Losses

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

Selling and Marketing Expenses

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

Administrative Expenses

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

R&D Expenses

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

Finance Costs

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

Share of Profits of Associates

Share of profits of associates decreased from RMB104.6 million for the year 2018 to RMB18.6 million for the year 2019. The decrease mainly resulted from: (1) decrease in equity income picked up from our associate, WuXi Healthcare Ventures II L.P. due to its fair value change from investment profiles, amounting to RMB41.8 million; and (2) increase in equity loss picked up from our other associates, amounting to RMB44.3 million.

Share of Losses of Joint Ventures

Share of losses of joint ventures increased from RMB27.8 million for the year 2018 to RMB39.3 million for the year 2019, which mainly resulted from increase in equity loss picked up from our joint ventures caused by their increasing cost devotion to research projects.

Income Tax Expenses

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

Profit for the Year

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

Cash Flows

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

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

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

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

Indebtedness

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

(1) Borrowings

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

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

(2) Charges on Assets

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

(3) Contingent Liabilities

As at December 31, 2019, the Group has no significant contingent liabilities except for the contingent consideration disclosed in Note 41 to the consolidated financial statements in this annual report.

(4) *Gearing Ratio*

As at December 31, 2019, the gearing ratio, calculated as total liabilities over total assets, was 40.5%, as compared with 19.9% as at December 31, 2018. The higher ratio is due primarily to the fact that: (1) balance of short-term and long-term borrowings increased RMB2,437.3 million; (2) liabilities of Convertible Bonds increased RMB2,172.9 million; and (3) lease liabilities increased RMB1,247.2 million.

Treasury Policies

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

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

B. Non-IFRS Measures

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

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

Adjusted EBITDA

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

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

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

note: The sum of the data above may not add to the total amount 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						
Right-of-use assets	1,564.4	5.4	—	—	/	During the Reporting Period, right-of-use assets were recognised upon adoption of IFRS 16 — Leases.
Biological assets (current and non-current)	714.2	2.4	—	—	/	During the Reporting Period, the Group increased biological assets for experiments and breeding through direct purchase and acquisition of subsidiaries.
Other intangible assets	495.9	1.7	347.9	1.5	42.5	During the Reporting period, the Group acquired subsidiaries resulted in the increase of the customer relationship and patent.
Prepaid lease payments (current and non-current)	—	—	278.5	1.2	–100.0	Land use rights previously recorded under prepaid lease payments were reclassified to the right-of-use assets upon the adoption of IFRS16 — Leases.

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
Interests in joint ventures	25.2	0.1	36.8	0.2	-31.5	The decrease mainly resulted from net equity loss picked up from our joint ventures during the Reporting Period.
Financial assets at FVTPL (non-current)	4,009.1	13.7	2,079.3	9.2	92.8	Primarily due to new strategic investments in healthcare industry such as examination and health management service, medical device business and drug research and development during the Reporting Period.
Financial assets at FVTPL (current)	1,701.6	5.8	2,125.3	9.4	–19.9	Primarily due to the redemption from wealth management products during the Reporting Period.
Inventories	1,208.3	4.1	854.8	3.8	41.4	The increased in raw materials and consumables and work in progress was driven by the increased orders during the Reporting Period.

Items	Amount as at the end of the Reporting Period	Percentage of the amount as at the end of the Reporting Period to the total assets (%)	Amount as at the end of last reporting period	Percentage of the amount as at the end of last reporting period to the total assets (%)	Ratio of change for the amount as at the end of the Reporting Period as compared with the amount as at the end of last reporting period (%)	Reasons
Liabilities						
Amounts due to related parties	24.8	0.1	12.0	0.1	106.4	Primarily due to amounts received from Directors for A Share restricted stock compensation plans launched during the Reporting Period.
Derivative financial instruments	86.4	0.3	153.3	0.7	–43.7	Appreciation of RMB against USD during the Reporting Period led to the fair value increase of the forward contract which the Group entered in.
Borrowings (current and non- current)	2,572.3	8.8	135.0	0.6	1,805.4	Primarily due to the increased borrowings for daily operations, capital investments and acquisition projects.
Income tax payables	261.4	0.9	184.3	0.8	41.8	Primarily due to the increase of assessable income during the Reporting Period.
Financial liabilities at FVTPL (current and non-current)	44.2	0.2	—	—	/	Primarily due to the contingent consideration from the acquisition of Pharmapace, Inc.

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
Lease liabilities (current and non-current)	1,247.2	4.3	—	—	/	Lease liabilities were recognised upon adoption of IFRS16 — Leases starting January 1, 2019.
Convertible bonds	2,172.9	7.4	—	—	/	USD300 million zero coupon Convertible Bonds due 2024 were issued during the Reporting Period.
Deferred tax liabilities	231.1	0.8	111.7	0.5	106.8	Primarily due to deferred tax liabilities recognised upon the acquisition of Pharmapace, Inc. and Suzhou Kanglu Biotechnology Co., Ltd.
Deferred income	667.4	2.3	418.8	1.8	59.3	Primarily due to the increase of government grants related to assets received for medical research and development platform construction during the Reporting Period.

D. Analysis on Investments

Investment on wealth management products

The Group adopted a prudent financial management approach towards its treasury policy and maintained a healthy financial position throughout the Reporting Period. To better utilize surplus cash generated from operating and financing activities, we have engaged in treasury management activities by investing in wealth management products issued by financial institutions of 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 of December 31, 2019, the balance of current financial assets at FVTPL amounted to RMB1,701.6 million, representing 5.8% of total assets. Products associated with 61.5% of the investment balance have a maturity date within 30 days. During the Reporting Period, the Group invested in a diversity of wealth management products mainly in the following three categories:

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

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

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

in RMB million

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

Investment in companies

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

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

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

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

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

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

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

Our investments of financial assets at FVTPL mainly include three categories, the movement of which during the Reporting Period are listed below:

	Listed companies *RMB million*	**Fund investments** *RMB million*	**Non-listed companies** *RMB million*	**Total** *RMB million*
Opening Balance	941.0	254.4	883.9	2,079.3
Addition	260.0	57.0	1,805.0	2,122.0
Transfer from non-listed companies/(transfer to listed companies)	272.1	—	(272.1)	—
Fair value change during the period	(308.7)	3.4	125.1	(180.2)
Settlement of shares	(19.0)	(28.7)	(0.2)	(47.9)
Exchange Influence	11.6	3.0	21.3	35.9
Ending Balance	1,157.0	289.1	2,563.0	4,009.1

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

iKang Healthcare Group ("iKang")

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

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

Jinxin Fertility Group Limited (HKEX: 01951)

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

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

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

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

Hua Medicine (HKEX: 02552)

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

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

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

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

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

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

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

- 52-week data for HMM301 trial;
- 24-week data for HMM302 trial;
- Potential partnership with global and China diabetes-focused companies relating to dorzagliatin; and
- NDA filing in China of dorzagliatin.

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

Genesis Medtech Group Limited ("Genesis")

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

Adagene Inc. ("Adagene")

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

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

E. Core Competence Analysis

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

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

We are a global leading integrated end-to-end new drug R&D service platform, enabling pharmaceutical innovations worldwide. Our integrated end-to-end new drug R&D services capability is expected to fully benefit from the rapid development of the global new drug R&D outsourcing services market. We provide comprehensive services that meet diversified customers' demands. We strive to continue to expand our service offering by executing the strategy from "follow the project" to "follow the molecule". At the early stage of new drug R&D, we enable our customers with our expertise and gradually establish a trusted partnership. At the CRO and CDMO/CMO stage, we provide services from "follow the project" to "follow the molecule", and win more business opportunities in the late development and commercialization stage. During the Reporting Period, 32.3% of our customers used services from more than one of our business units, representing 87.4% of our revenue.

(2) *Enabling innovation to strengthen our competitive advantage*

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

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

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

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

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

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

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

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

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

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

(5) *Experienced management team with vision and ambition*

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

F. Other Events

(1) *The delisting of STA*

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

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

On April 17, 2019, the Board resolved that the Group shall use up to RMB3,100 million to acquire through WXAT Shanghai, in addition to any domestic shares of STA acquired by WXAT Shanghai in the 12 months preceding the passing of the resolutions, all the outstanding STA Shares from the dissenting STA shareholders and other minority STA shareholders (the "Minority STA Shareholders") pursuant to the Proposal on the Protection Measures Regarding the Interests of Dissenting Shareholders (《異議股東保護方案》) passed by the board of directors of STA on April 4, 2019, to protect the interests of dissenting STA shareholders in respect of the Proposed Delisting (the "Proposed Acquisition"). The consideration of the Proposed Acquisition shall be determined based on the timing of the acquisition of the STA Shares by the Minority STA Shareholders, which for any Minority STA Shareholders acquiring before the announcement of the Proposed Delisting, shall be the higher of (i) RMB48.00 per STA Share; or (ii) the original acquisition cost of such Minority STA Shareholders. The Minority STA Shareholders include seven connected persons of the Company holding an aggregate of 5,722,802 STA Shares, On April 17, 2019, as part of the Proposed Acquisitions, the Board resolved to acquire from the connected vendors their STA Shares (the "Connected Acquisitions"). The connected vendors are (i) Dr. Ge Li who is a Director and chief executive officer of the Company and a director of STA; (ii) Mr. Edward Hu who is a Director and co-chief executive officer of the Company and a director of STA; (iii) Mr. Xiaozhong Liu who is a Director of the Company and STA; (iv) Mr. Zhaohui Zhang who is a Director of the Company and STA; (v) Mr. Minzhang Chen who is a director and chief executive officer of STA; (vi) Mr. Harry Liang He who is a supervisor of the Company and STA; and (vii) Ms. Xiangli Liu who is a supervisor of STA. On July 2, 2019, WXAT Shanghai and each of the connected vendors executed an equity transfer agreement in respect of the Connected Acquisitions. The consideration payable amounted to an aggregate of RMB274.69 million.

(3) *Adoption of the 2019 A Share Incentive Plan*

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

(4) *Adoption of the 2019 Share Appreciation Scheme*

The Board resolved on July 19, 2019 to adopt the 2019 Share Appreciation Scheme, which was approved at the first extraordinary general meeting of 2019 and the second A Share and H Share class meetings of the Company on September 20, 2019 . Under the 2019 Share Appreciation Scheme, share appreciation rights will be granted to eligible participants with each of them being notionally linked to one H Share, and will confer the right to gain specified amount of benefits in cash from the increase in market price of the relevant H Shares. No H Shares will actually be issued to any participants.

(5) *Grant of reserved interests to the participants under the 2018 A Share Incentive Scheme*

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

(6) *Buy-back and cancellation of Restricted A Shares under the 2018 A Share Incentive Plan*

As eleven of the grantees of the 2018 A Share Incentive Plan had resigned from the Company and terminated their employment contracts with the Company, they no longer fulfilled the conditions for unlocking. Pursuant to the 2018 A Share Incentive Plan, on March 22, 2019, the Board considered and approved the buyback and cancellation of 31,347 Restricted A Shares which were granted to the aforesaid grantees which had not been unlocked at a price of RMB45.53 per Share for the buyback. The total consideration for the buyback amounted to RMB1,427,228.91. Such portion of Restricted A Shares were cancelled on June 18, 2019.Due to (1) the resignation of 41 grantees of the 2018 A Share Incentive Plan; and (2) the completion of the 2018 Profit Distribution Plan pursuant to which 4 Shares were issued for every 10 Shares held by the Shareholders on the relevant record date, on July 19, 2019, the Board considered and approved the buyback and cancellation of 338,349 Restricted A Shares which were granted to the aforesaid 41 grantees after adjustment which had not been unlocked at a price of RMB32.15 per Share for the buyback. The total consideration for the buyback amounted to RMB10,877,920.35. Such portion of Shares were cancelled on September 20, 2019.

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

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

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

On September 17, 2019, the Company issued the Convertible Bonds. The Board considers that the issue of the Convertible Bonds represents an opportunity to obtain a pool of readily available funds that can better support business expansion of the Company in the long run. The net proceeds from the issue and subscription of the Convertible Bonds pursuant to the subscription agreement dated September 3, 2019 of the Convertible Bonds, after the deduction of fees, commissions and expenses payable, were approximately USD294 million.

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

On November 25, 2019, the resolution in relation to (1) the adjustments to the number of the participants and number of 2019 Restricted A Shares and share options granted under the 2019 A Share Incentive Plan (the "2019 Share Options") under the initial grant of 2019 A Share Incentive Plan (the "Initial Grant"); and (2) the Initial Grant of 2019 Restricted A Shares and 2019 Share Options of the Company to participants were approved at the 37th meeting of the 1st session of the Board and the 25th meeting of the 1st session of the Supervisory Committee of the Company. The Board (including the independent non-executive Directors, except Mr. Edward Hu who abstained from voting for reason of him being one of the participants), is of the view that the conditions of the grant of adjusted Initial Grant under the 2019 A Share Incentive Plan had been fulfilled and resolved to grant 13,400,273 2019 Restricted A Shares and 5,039,904 2019 Share Options to be granted to 2,008 and 460 participants, respectively, with November 25, 2019 confirmed as the date of grant. Pursuant to the 2019 A Share Incentive Plan, the grant price of the 2019 Restricted A Shares granted shall be RMB32.44 per Share and the exercise price of the 2019 Share Options granted shall be RMB64.88 per Share.

(10) *Grant of Share Appreciation Rights under the 2019 Share Appreciation Scheme*

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 under the 2019 Share Appreciation Scheme at the exercise price of HK$72.00 per unit.

(11) Proposed Issuance of H Shares and Proposed Non-public Issuance of A Shares

References are made to the announcement of the Company dated March 24, 2020.

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, representing not more than 40% of the total issued H Shares as at March 24, 2020, (or 95,487,500 New H Shares in the event that the Capitalization of Reserve is completed before the completion of the Proposed Issuance of H Shares, representing not more than 40% of the then total issued H Shares) 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, representing not more than 5.07% of the total issued A Shares of the Company as at March 24, 2020, to not more than 35 specific subscribers. The aforementioned proposals are subject to the relevant Shareholders' approvals. The implementation of the Proposed Issuance of H Shares and the Proposed Non-public Issuance of A Shares are subject to the conditions precedent as stated therein. Please refer to the said announcement for details.

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

A. Competition and Development Trends of the Industry

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

The global pharmaceutical R&D and manufacturing service industry is expected to maintain a rapid growth in the foreseeable future. On the one hand, the innovative drug R&D industry has the characteristics of large investment, long cycle and high risk. According to a research and analysis by Deloitte, the R&D returns for large cap biopharma companies have steadily declined from 10.1% in 2020 to 1.8% in 2019. As a result of the decline of R&D returns together with the "patent cliff" faced by drug manufacturers, an increasing number of manufacturers are expected to engage external R&D institutes to conduct R&D tasks. On the other hand, small and medium biotechnology companies and individual entrepreneurs have become a major driving force of pharmaceutical innovation. According to Frost & Sullivan, in 2019, there were 9,192 small pharmaceutical companies in the world, accounting for 76.8% of the total pharmaceutical companies. By 2023, it is expected that there will be 13,892 small pharmaceutical companies, accounting for 79.1% of the total pharmaceutical companies. These small pharmaceutical companies usually seek for external R&D and manufacturing platforms to accelerate their R&D projects. As a result, integrated end-to-end R&D service platforms are well-positioned to meet their R&D service needs from concept verification to product launching out. According to Frost & Sullivan, the size of global pharmaceutical R&D outsourcing services market for drug discovery, preclinical, clinical studies and CMO/CDMO services for small molecular drugs and cell and gene therapies was about USD127.7 billion in 2019, and is expected to reach USD193.7 billion by 2023 with a 2019–2023 CAGR of around 11.0%.

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

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

B. Development Strategies

We are committed to 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.

In line with our development strategies and to substantiate our financing needs arising therefrom, we intend to issue additional A Shares and H Shares. For details, please refer to section headed “F. Other Events” in this annual report.

C. Operation Plan

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

(1) Business Continuity Plan

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

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

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

(2) Platform Building

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

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

(3) Customer Strategy

We are committed to further 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 market and overseas, in particular, “long-tail” customers. We will attract more participants to join the new drug R&D industry and enable more customers to help them succeed through ongoing reduction of entry barrier of drug R&D industry.

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

(4) Quality and Compliance

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

(5) Innovation and Development

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

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

(6) Team of Talents

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

(7) Corporate Culture

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

D. Potential Risks

(1) Risk of Market Demands Decline in Drug R&D Services

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

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

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

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

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

Aside from the aforementioned incumbents, we also face competition from new entrants, which either have more solid capital strengths or more effective business channels or stronger R&D capability in respective segment. We will face risk resulted from heightened competition in the pharmaceutical market and weakened competitive edge in case we fail to enhance our overall R&D strength and other strengths in business competition. There is no assurance that we will be able to compete effectively with existing competitors or new competitors or that the level of competition will not adversely affect our business, results of operations, financial condition and prospects.

(4) *Business Compliance Risk*

We have always attached great importance to compliance of our business operation and gradually established a relatively complete internal control system, which requires our staff to abide by relevant laws and regulations and carry out business activities in accordance with relevant laws. Although we have developed a 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 purchased a number of foreign companies to fuel our overseas business expansion and accumulated abundant experience of overseas operation over the years. During the Reporting Period, our revenue from overseas operation accounted for significant percentage of our main business revenue. Given that we are required to abide by laws and regulations of any nation or region where we carry out business operation and set up our offices and rely on foreign suppliers of raw materials, customers and technical service providers to ensure our orderly daily operation to 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 acquire new technologies, businesses or services or enter into strategic alliances with third-parties in the healthcare ecosystem and need to invest a great deal of capital and resources and continue to push forward strengthening of our capabilities and expansion of scale globally. We may not be able to successfully acquire the targets identified despite spending significant amount of time and resources on pursuing such acquisition or investment. Adverse impact might be caused to our business, financial and operating performances and outlook in case our entry into new segment suffers unforeseeable delay due to failure to integrate acquisitions successfully, delay in construction and regulatory issues, or we fail to achieve our growth targets.

(8) Risk of Impact on Our Assets at FVTPL by Market Fluctuation

Value of our assets or liabilities measured at 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 RMB4,009.08 million. In 2019 and 2018, fair value change of our investments in listed companies and other non-current financial assets measured at FVTPL was RMB180.18 million in losses and RMB615.63 million in gains, respectively, with a variance of RMB795.81 million. As the Company pays close attention to the investee listed companies with a view to making timely and ongoing investment decisions with these investee companies, it is noted that recently the significant negative effects on the financial markets and economic conditions are increasingly apparent and global equity markets have exhibited huge fluctuations and volatility due to the outbreak of COVID-19. As we mark-to-market the fair value of certain of our investments on a periodic basis, we expect the fair value of our financial assets at FVTPL, especially our investments in publicly-traded companies, may be negatively affected by such fluctuations which will further bring significant negative effect to our net profit.

(9) Foreign Exchange Risk

We conduct a multinational business. Fluctuations in exchange rates between the RMB and USD and other currencies may be affected by, among other things, changes in political and economic conditions. During the Reporting Period, most of the revenue of the main business was denominated in USD while a majority of our cost of services and operating costs and expenses were denominated in RMB. During the Reporting Period, RMB exchange rate demonstrated significant volatility and the Company's foreign exchange gain/(loss) in 2019, 2018 and 2017 were RMB20.7 million, RMB31.0 million and RMB (138.9) million, respectively. If RMB appreciates significantly against USD, our margins might be pressured, a portion of cost denominated in USD might be increased and the size of our international customers' orders might be contracted due to increase of unit prices of services denominated in USD, which may adversely impact our profitability as a result.

(10) Risks of Impact of Emergencies and Force Majeure on the Company's Operation

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

	For the year ended December 31,				
	2015	2016	2017	2018	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***
Operating results					
Revenue	4,883,349	6,116,131	7,765,260	9,613,684	**12,872,206**
Gross profit	1,678,631	2,482,491	3,239,920	3,776,919	**5,006,148**
Operating profit	858,867	1,441,018	1,689,807	2,596,400	**2,485,704**
Profit for the year	683,779	1,120,973	1,296,720	2,333,681	**1,911,409**
Profit attributable to the owners of the Company	348,968	974,980	1,227,093	2,260,523	**1,854,551**
Profitability					
Gross profit margin	34.4%	40.6%	41.7%	39.3%	**38.9%**
Operating profit margin	17.6%	23.6%	21.8%	27.0%	**19.3%**
Margin of net profit attributable to the owners of the Company	7.1%	15.9%	15.8%	23.5%	**14.4%**
Earnings per share (RMB) (Note)					
— Basic	0.28	0.77	0.94	1.59	**1.14**
— Diluted	0.28	0.76	0.93	1.58	**1.12**

	As at December 31,				
	2015	2016	2017	2018	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***
Financial position					
Total assets	9,686,431	10,590,683	12,580,447	22,667,202	**29,239,134**
Equity attributable to the owners of the Company	3,367,667	5,569,173	6,342,380	17,688,021	**17,312,255**
Total liabilities	3,256,308	4,528,278	5,842,436	4,501,971	**11,829,424**
Bank balances and cash	1,002,065	2,507,299	2,466,144	5,757,691	**5,223,293**
Gearing ratio	33.6%	42.8%	46.4%	19.9%	**40.5%**

Note: Both basic and diluted earnings per share have been adjusted to reflect the capitalisation issue under the 2018 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

The Board currently 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)	53	chairman, chief executive officer and executive Director	March 1, 2017
Mr. Edward Hu (胡正國)	57	co-chief executive officer and executive Director	March 1, 2017
Mr. Xiaozhong Liu (劉曉鐘)	55	executive Director, vice president	March 1, 2017
Mr. Zhaohui Zhang (張朝暉)	50	executive Director, vice president	March 1, 2017
Dr. Ning Zhao (趙寧)	53	executive Director, vice president	March 1, 2017
Non-executive Director			
Mr. Xiaomeng Tong (童小幪)	46	non-executive Director	March 1, 2017
Dr. Yibing Wu (吳亦兵)	52	non-executive Director	March 1, 2017
Independent non-executive Directors			
Dr. Jiangnan Cai (蔡江南)	62	independent non-executive Director	March 1, 2017
Ms. Yan Liu (劉艷)	47	independent non-executive Director	March 1, 2017
Mr. Dai Feng (馮岱)	44	independent non-executive Director	August 22, 2018 (effective from the Listing Date)
Dr. Hetong Lou (婁賀統)	57	independent non-executive Director	March 1, 2017
Mr. Xiaotong Zhang (張曉彤)	51	independent non-executive Director	March 1, 2017

SUPERVISORS

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)	53	chairman of the Supervisory Committee	March 1, 2017
Mr. Jichao Wang (王繼超)	46	Supervisor	March 1, 2017
Ms. Minfang Zhu (朱敏芳)	48	employee representative Supervisor	March 1, 2017

EXECUTIVE DIRECTORS

Dr. Ge Li (李革), aged 53, 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 December 2011 to August 2015, he served as an independent non-executive director of Shanghai Hile Bio-pharmaceutical Co., Ltd. (上海海利生物技術股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 603718) and primarily engaged in the development, production and sales of animal vaccine, and was responsible for providing independent advice to its board of directors.

- 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 57, is the co-chief executive 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 was appointed as a co-chief executive officer in August 2018. 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 May 2018, he has been serving as a director of Viela Bio Inc., a company listed on NASDAQ (stock code: VIE) since October 2019.

- 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 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.

Mr. Xiaozhong Liu (劉曉鐘), aged 55, is an executive Director and a vice president of our Company. He is primarily responsible for the business development of our Group. Mr. Xiaozhong Liu founded our Group in December 2000.

Mr. Xiaozhong Liu has the following work experience:

- Since December 2015, he has been serving as a director and executive vice president of operations of our Company.
- From August 2007 to December 2015, he served as a director and an executive vice president of operations of WuXi PharmaTech, a company previously listed on NYSE.
- From December 2000 to July 2007, he served as a director and an executive vice president of operations of our Company.
- In the 1990s, he served as the general manager of Zhuhai Ze Yu Trading Co. Ltd. (珠海澤宇工貿有限公司).
- He has previously served at the China Academy of Building Research (中國建築科學研究院).

Mr. Xiaozhong Liu obtained a bachelor's degree in science from Peking University in the PRC in July 1987 and a master's degree in business administration from China Europe International Business School in the PRC in September 2008.

Mr. Zhaohui Zhang (張朝暉), aged 50, 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 53, is an executive Director and a vice president of our Company. She is also a member of the Remuneration and Appraisal Committee of the 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 46, 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 52, 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 62, is an independent non-executive Director of our Company. He is also the chairperson of the Nomination Committee and a member of Strategy 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) (a not-for-profit think-tank).

- 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.

- Since March 2015, he has been serving 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.

- Since May 2014, he has been serving 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 has been 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 47, 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 Audit Committee as well as 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) which primarily engaged in providing financial services in mainland China and internationally, and she has been responsible for providing independent judgement to the board of the company.

- 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) which primarily engaged in the production and sale of wine and alcoholic beverages, and she had been responsible for providing independent judgement to the board of the company.

- 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) and primarily engaged in production and sale of cements and concretes, and has been responsible for providing independent judgement to the board of the company.

- 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 44, is an independent non-executive Director of our Company. He is primarily responsible for supervising and providing independent judgement to our Board. Mr. Dai Feng 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 and a women's handbag company.

- 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 and a director of Szechuan New Huaguang Medical Technology Limited (四川新華光醫療科技有限公司), a leading distributor of dental products.

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 57, 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. He 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.

- Since December 2014, he has been serving as an independent director of Shanghai LongYun Advertising and Media Co., Ltd (上海龍韻廣告傳媒股份有限公司), 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 51, 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) which primarily engaged in the design of precision laser processing solutions and its supporting equipment research and development, manufacture and sales, and he has been responsible for supervising and providing independent judgement to the board of the company.

- 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) which primarily engaged in manufacturing and sale of explosives in the PRC, 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) which primarily engaged in the research and development, production and sale of pesticide and preparations, 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) which primarily engaged in the research and development, manufacture and sale of glass products, 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), a company primarily engaged in promoting the tourism of the Songshan Mountain scenic spot, improving the infrastructure and upgrading the services, and has been responsible for supervising and providing independent judgement to the board of the company.

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 53, 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. Jichao Wang (王繼超), aged 46, is a Supervisor of our Company. He joined the Group in February 2001 and was appointed as a Supervisor in March 2017.

Mr. Jichao Wang has the following work experience:

- Since December 2015, he has been serving as a finance senior director, and subsequently a finance executive director of our Company.

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

- From February 2001 to August 2007, he served as a finance director of our Company.

- Mr. Jichao Wang pursued further education in economics at Peking University from February 2000 to July 2000. Mr. Wang obtained a master's degree in business administration from University of Shanghai for Science and Technology (上海理工大學) in the PRC in March 2007. Mr. Wang obtained a master's degree in business administration from Shanghai Jiao Tong University (上海交通大學) in the PRC in June 2012.

Ms. Minfang Zhu (朱敏芳), aged 48, 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.
Mr. Xiaozhong Liu (劉曉鐘), 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 49, 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. Steve Qing Yang (楊青), aged 51, is a vice president of our Company. Dr. Steve Yang is primarily responsible for our commercial operation and research services of our Group. Dr. Yang joined our Group in April 2014.

Dr. Steve Qing Yang has the following work experience:

- Since December 2015, he has been serving 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.

Dr. Shuhui Chen (陳曙輝), aged 56, 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 20 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 36, 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.

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, 2019, 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 Code of Conduct throughout the year ended December 31, 2019.

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, 2019, 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 *(Co-chief executive officer)*
Mr. Xiaozhong Liu
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, Mr. Xiaozhong Liu 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, 2019, 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, 2019, 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, 2019 is summarized as follows:

Directors	Type of Training[Note]
Executive Directors	
Dr. Ge Li	A/B
Mr. Edward Hu	A/B
Mr. Xiaozhong Liu	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

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, 2019, there was no change in the composition of the Board.

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 Ms. Yan Liu. 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 year, the Audit Committee held 6 meetings to review, in respect of the year ended December 31, 2019, 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 members, namely Ms. Yan Liu, independent non-executive Director, Dr. Hetong Lou, independent non-executive Director, and Dr. Ning Zhao, executive Director. 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 4 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".

Details of the remuneration of the senior management by band are set out in note 13 in the Notes to the Consolidated Financial Statements for the year ended December 31, 2019.

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 2 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, 2019 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	12/12	NA	NA	1/1	2/2	1/1	6/6
Mr. Edward Hu	12/12	NA	NA	NA	2/2	1/1	6/6
Mr. Xiaozhong Liu	12/12	NA	NA	NA	NA	1/1	6/6
Mr. Zhaohui Zhang	12/12	NA	NA	NA	NA	0/1	3/6
Dr. Ning Zhao	12/12	NA	4/4	NA	NA	0/1	1/6
Mr. Xiaomeng Tong	12/12	NA	NA	NA	2/2	0/1	1/6
Dr. Yibing Wu	12/12	NA	NA	NA	2/2	0/1	1/6
Dr. Jiangnan Cai	12/12	NA	NA	1/1	2/2	1/1	2/6
Ms. Yan Liu	12/12	6/6	4/4	1/1	NA	0/1	1/6
Mr. Dai Feng	12/12	NA	NA	NA	NA	0/1	1/6
Dr. Hetong Lou	12/12	6/6	4/4	NA	NA	1/1	5/6
Mr. Xiaotong Zhang	12/12	6/6	NA	NA	NA	1/1	2/6

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.

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, 2019, 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, 2019.

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 Auditors' 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, 2019 amounted to RMB6.2 million and RMB2.4 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, 2019 is set out below:

Service Category	**Fees Paid/ Payable** *RMB'000*
Audit Services	6,193
Non-audit Services	
— Taxation	2,118
— Due Diligence	260
	8,571

JOINT COMPANY SECRETARIES

During the year ended December 31, 2019, Mr. Chi Yao and Ms. Yuen Wing Yan Winnie 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.

Subsequent to the year ended December 31, 2019, Ms. Yuen Wing Yan Winnie ceased to act as the joint company secretary and Ms. Siu Wing Kit of Tricor has been appointed as joint company secretary of the Company with effect from March 24, 2020.

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, 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, 2019, 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 53 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 119 to 274 of this annual report.

The Board proposes the profit distribution plan for the year ended December 31, 2019 as follows: (1) a cash dividend of RMB3.37(inclusive of tax) for every 10 Shares to be paid to Shareholders on the record date for determining the Shareholders' entitlement to the 2019 Profit Distribution Plan (representing an aggregate amount of RMB556,429,640.95 (inclusive of tax) based on the total issued Shares of the Company as at March 24, 2020), and (2) 4 new Shares for every 10 existing Shares of the Company to be issued out of reserve to all Shareholders. The 2019 Profit Distribution Plan is subject to, amongst others, approval by Shareholders at the forthcoming AGM and application be made to and approved by the Stock Exchange for the listing of and permission to deal in the new H Shares (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 45 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 185 to 186 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 42 to the consolidated financial statements on page 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 123 to 124 of this annual report. Details of the movement in the reserves of the Company during the Reporting Period is set out in note 54 to the consolidated financial statements on pages 272 to 273 of this annual report.

DISTRIBUTABLE RESERVES

As at December 31, 2019, the Company's distributable reserves, calculated in accordance with PRC rules and regulation, were RMB622.8 million.

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

The 2018 A Share Incentive Plan

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

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

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

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 net proceeds of approximately RMB856.5 million as at the year ended December 31, 2019.

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 and actual usage up to the year ended December 31, 2019:

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, 2019) (RMB million)	Balance of the unutilized amount (as at the year ended December 31, 2019) (RMB million)	Actual and expected timeline for utilizing the remaining net proceeds from the A Share Listing[1]
Suzhou drug safety evaluation centre expansion project[2]	34%	727.2	226.9	500.3	Expected to be fully utilized by December 31, 2020
Tianjin chemical R&D laboratory expansion and upgrade project[3]	26%	564.0	270.7	293.3	Expected to be fully utilized by December 31, 2020
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	1,336.7	793.6	

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, 2019, Suzhou drug safety evaluation centre expansion project is still under construction and is expected to be completed and fully utilized proceed from the A Share Listing by December 31, 2020.

(3) As at the year ended December 31, 2019, Tianjin chemical R&D laboratory expansion and upgrade project is still under construction and is expected to be completed and fully utilized proceed from the A Share Listing by December 31, 2020.

(4) Expansion of Company's headquarter and analytical diagnostic service R&D centre has completed as at May 31, 2018. The Group's revenue was increased by RMB227.6 million due to this expansion for the year ended December 31, 2019.

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

USE OF NET PROCEEDS FROM THE H SHARE LISTING

The total proceeds from the issue of new H Shares by the Company in its Listing (after deducting the underwriting fees and related Listing expenses) amounted to approximately RMB7,285.9 million[1], and the balance of unutilized net proceeds of approximately RMB1,164.5 million as at the year ended December 31, 2019.

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, 2019:

Use of proceeds from the IPO	Percentage of net proceeds from the IPO	Original allocation of net proceeds from the IPO (HKD million)	Original allocation of net proceeds from the IPO (RMB million)	Revised allocation of net proceeds from the IPO (RMB million)[2]	Balance of utilized amount from the IPO (as at the year ended December 31, 2019) (RMB million)	Balance of unutilized amount from the IPO (as at the year ended December 31, 2019) (RMB million)	Expected timeline for utilizing the remaining balance of net proceeds from the IPO[3]
To expand our capacity and capabilities across all business units globally	37%	2,798.0	2,462.2	2,602.1	1,472.7	1,129.4	
— invest in PRC projects[3]	22%	1,663.1	1,463.5	1,547.2	1,117.6	429.6	Expected to be fully utilized by December 31, 2021
— invest in U.S. projects[4]	8%	570.1	501.7	562.6	355.1	207.5	Expected to be fully utilized by December 31, 2020
— invest in Hong Kong project[5]	7%	564.8	497.0	492.3	—	492.3	Expected to be fully utilized by December 31, 2021
To fund the acquisition of CRO and CMO/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	147.7	35.1	Expected to be fully utilized by December 31, 2020

Use of proceeds from the IPO	Percentage of net proceeds from the IPO	Original allocation of net proceeds from the IPO (HKD million)	Original allocation of net proceeds from the IPO (RMB million)	Revised allocation of net proceeds from the IPO (RMB million)[2]	Balance of utilized amount from the IPO (as at the year ended December 31, 2019) (RMB million)	Balance of unutilized amount from the IPO (as at the year ended December 31, 2019) (RMB million)	Expected timeline for utilizing the remaining balance of net proceeds from the IPO[3]
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	5,868.1	1,164.5	

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.

(2) 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.

(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, 2019, 72% 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, 2019, 63% allocated net proceeds for US projects have been utilized.

(5) Invest in Hong Kong project, including establishing a Hong Kong-based R&D Innovation Center. As at December 31, 2019, Hong Kong project is still in the preparation stage.

(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, 2019, 81% allocated net proceeds for developing cutting-edge technology have been 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 are 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$111.8 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).

The Convertible Bonds are convertible into a maximum of 21,048,032 H Shares (assuming full conversion of the Convertible Bonds at the initial conversion price of HK$111.80 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, 2019 and assuming no further issuance of Shares by the Company:

		As at December 31, 2019		Upon full conversion of the Convertible Bonds at the initial conversion price of HK$111.80 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	**452,703,276**	**27.42%**	452,703,276	27.07%
Sub total		**452,703,276**	**27.42%**	452,703,276	27.07%
Public Shareholders	A	**1,027,909,695**	**62.26 %**	1,027,909,695	61.47%
	H	**170,513,560**	**10.33%**	170,513,560	10.20%
Subscribers of the Convertible Bonds	H	**—**	**—**	21,048,032	1.26%
Sub total		**1,198,423,255**	**72.58%**	1,219,471,287	72.93%
Total		**1,651,126,531**	**100.00 %**	1,672,174,563	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. 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, 2019 is set out in Note 14 to the financial statements in this annual report.

Use of Net Proceeds from the Issuance of the Convertible Bonds

The net proceeds from the Subscription of the Convertible Bonds have been and will be 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 planned applications of the net proceeds and actual usage up to the year ended December 31, 2019:

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, 2019) (RMB million)	Balance of unutilized amount (as at the year ended December 31, 2019) (RMB million)	Expected timeline for utilizing the remaining balance of net proceeds from the Subscription of the Convertible Bonds[1]
Mergers and acquisitions and Business expansion	74%	—	1,547.1	Excepted to be fully utilized by December 31, 2020
Working capital and general corporate purposes	26%	—	532.3	Excepted to be fully utilized by December 31, 2020
Total	100%	—	2,079.5	

Notes:

(1) The expected timeline for utilizing the remaining proceeds is made based on the best estimation of the Company taking into account, among others, prevailing and future market conditions, regulatory changes and approvals as well as actual business development, and therefore is subject to change.

(2) Net proceeds from the Subscription of the Convertible Bonds were received in US dollars. Before we may utilize the proceeds in China, the Company is required to complete the relevant regulatory filings with the PRC authorities for the conversion of the proceeds denominated in US dollars into RMB. To meet the Company's business development needs, we have initially used our own working capital and bank loans to fund the merger of Suzhou Kanglu Biotechnology Co., Ltd. (in the amount of approximately RMB657.2 million) and partial consideration for the acquisition of STA non-controlling interest shares (in the amount of approximately RMB868.4 million) in late 2019. The Company is expected to substitute the expenditure on the above mentioned two projects with the proceeds from the Convertible Bonds offering after completing the regulatory filings to convert the proceeds into RMB during the course of 2020.

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) *(Co-chief executive officer)*
Mr. Xiaozhong Liu (劉曉鐘)
Mr. Zhaohui Zhang (張朝暉)
Dr. Ning Zhao (趙寧)

Non-executive Director

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. Jichao Wang (王繼超)
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 46 to 60 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, 2019, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out below:

- Mr. Edward Hu became a director of Viela Bio Inc. since May 2018, a company listed on NASDAQ (stock code: VIE) since October 2019.
- Mr. Xiaomeng Tong ceased to be a non-executive director of CStone Pharmaceuticals (基石藥業有限公司) in May 2019, a company listed on the Main Board of the Stock Exchange (stock code: 2616).
- Mr. Xiaomeng Tong ceased to a director of Guangzhou Kingmed Diagnostics Group., Ltd (廣州金域醫學檢驗集團股份有限公司) in January 2020, a company listed on the Shanghai Stock Exchange (stock code: 603882).
- Dr. Jiangnan Cai became a Chairman of the Academy of China Healthcare Innovation Platform (CHIPA) (a not-for-profit think-tank) since January 2020.
- Dr. Jiangnan Cai became an independent non-executive director of Betta Pharmaceuticals Co., Ltd. (貝達藥業) since November 2019, a company listed on Shenzhen Stock Exchange (stock code: 300558).
- Ms. Yan Liu ceased to be a non-executive director of Yantai Changyu Pioneer Wine Co., Ltd (煙台張裕葡萄釀酒股份有限公司) in May 2019, a company listed on the Shenzhen Stock Exchange (stock code: 000869, 200869).
- Mr. Xiaotong Zhang ceased to be an independent director of Hubei Kailong Chemical Group Co., Ltd (湖北凱龍化工集團股份有限公司) in January 2020, a company listed on the Shenzhen Stock Exchange (stock code: 002783).
- Mr. Xiaotong Zhang ceased to be an independent director of Shandong Huapeng Glass Co., Ltd (山東華鵬玻璃股份有限公司) in January 2020, a company listed on the Shanghai Stock Exchange (stock code: 603021).

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 first 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 first 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 180 to 182 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, 2019.

Except as disclosed above, no other payments have been made or are payable, for the year ended December 31, 2019, 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 90 to 101 and note 46 to the consolidated financial statements on pages 241 to 254 of this annual report; and (ii) the issuance of the Bonds, 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 22, 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) an initial grant of 13,657,803 Restricted A Shares with a grant price of RMB32.44 per Share and 5,292,174 Share Options, representing 90% of the total interests to be granted under the 2019 A Share Incentive Plan; and (ii) the remaining 2,105,553 units, representing 10% of the total interests to be granted under the 2019 A Share Incentive Plan and approximately 0.13% of the total issued capital of the Company as at the date of this annual report will be 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 7,120,407 (of which options to subscribe for 5,014,854 Shares had been granted and were outstanding), representing approximately 0.43% 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 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 Share Options were 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 of 2019 A Share Incentive Plan, 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.

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 reserved Share Options shall be from the date of grant of the reserved Share Options 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 Reserved Grant was determined based on the average trading price of the A Shares prior to the date of grant and shall not be lower than the par value of the A Shares, and shall be the higher of the following:

(1) the average price of the A Shares of the Company for the last trading day preceding the date of announcement of the board resolution on the grant of the Share Options under the Reserved Grant;

(2) the average 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 grant of the Share Options under the Reserved Grant.

Fair value of the Share Options

The Company selected the Black-Scholes Model to calculate the fair value of Share Option 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:

	2019 A Share Incentive Plan Share 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%

Share Options were accounted as equity-settled share-based transactions. The accounting policy is set out in the significant accounting policies on page 165 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 a Director of the Company and eligible employees and RMB419,862,615.36 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 54 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.

As at December 31, 2019, a total of 5,014,854 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, 2019	Granted during the period	Unlocked during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	Outstanding at December 31, 2019
Restricted A Shares							
Directors							
Mr. Edward Hu	N/A	125,000	0	0	0	0	125,000
Ms. Wendy J. Hu[1]	N/A	19,500	0	0	0	0	19,500
Employees (in aggregate)	N/A	12,798,244	0	0	0	0	12,798,244
Sub-total	**N/A**	**12,942,744**	**0**	**0**	**0**	**0**	**12,798,244**

Share Options	Outstanding at January 1, 2019	Granted during the period	Unlocked during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	Outstanding at December 31, 2019
Employees	N/A	5,014,854	0	0	0	0	5,014,854
Total	**N/A**	**5,014,854**	**0**	**0**	**0**	**0**	**5,014,854**

Notes:

(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.

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, 2019	Granted during the period	Exercised during the period	Forfeited during the period	Outstanding at December 31, 2019
2019 Share Appreciation Scheme	N/A	2,901,172	0	281,037	2,620,135

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 A Shares 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.

As at the date of this annual report, the total number of Shares available for issue under the 2018 A Share Incentive Plan was 287,000 (of which options to subscribe for 287,000 Shares had been granted and were outstanding), representing approximately 0.017% 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 canceled, 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 canceled, 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 was determined based on the average trading price of the A Shares prior to the date of grant and 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 the grant of the options, i.e. RMB64.88 per share; or

(2) any one of the average trading price of the Company's A Shares for the last 20, 60 and 120 trading days preceding the date of announcement of the grant of the Share Options.

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:

	2018 Share Option under the 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 165 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, 2019:

Restricted A Shares

	Outstanding at January 1, 2019	Granted during the period	Capitalization during the period	Unlocked during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	Forfeited during the period	Outstanding at December 31, 2019
Mr. Edward Hu	910,000	0	36,400	0	0	0	0	0	127,400
Ms. Wendy J. Hu	13,500	0	5,400	0	0	0	0	0	18,900
Employees	6,176,830	478,822	2,458,193	0	0	0	0	369,696	8,744,149
Sub-total	**6,281,330**	**478,822**	**2,499,993**	**0**	**0**	**0**	**0**	**369,696**	**8,890,449**

Share Options

	Outstanding at January 1, 2019	Granted during the period	Capitalization during the period	Unlocked during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	Forfeited during the period	Outstanding at December 31, 2019
Mr. Ellis Bih-Hsin Chu	N/A	175,000	0	0	0	0	0	0	175,000
Employees	N/A	112,000	0	0	0	0	0	0	112,000
Sub-total	N/A	287,000	0	0	0	0	0	0	287,000
Total	**N/A**	**287,000**	**0**	**0**	**0**	**0**	**0**	**0**	**287,000**

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, 6,516,843 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, RMB1.78 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, 2019	Granted during the period	Exercised during the period	Cancelled during the period	Forfeited during the period	Outstanding at December 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	N/A	RMB5.34	RMB6.21

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 Company selected the Black-Scholes Model to calculate the fair value of options granted under the STA Share Option Incentive Scheme (2015), STA Overseas Employees Incentive Scheme and STA Share Option Incentive Scheme (2016), the specific calculating methods and results of fair value of each option are as follows:

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 Overseas Employees Incentive Scheme — 2nd batch	STA Share Incentive Option Scheme (2015)	STA Overseas Employees Incentive Scheme — 1st 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).	37.78–41.90	2.11–3.35	6.98	15.74–16.03	36.39–43.30
Grant date STA Shares price(RMB).	48.09–49.94	7.74	7.74	22.53	43.48
Exercise price (RMB)	1.79	8.00	1.79	8.00	8.00
Expected volatility	24.60%-29.75%	33.48%-36.77%	42.07%	32.53%-35.30%	29.90%-34.40%
Expected life (years)	10	3–6	10	3–6	3–6
Risk-free interest rate	1.58%-1.82%	3.08–3.67%	3.67%	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 165 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, 2019	Granted during the period	Exercised during the period	Cancelled during the period	Forfeited during the period	Outstanding at December 31, 2019
STA Share Appreciation Incentive Scheme (2016) — 1st batch	554,400	—	122,400	—	—	432,000
STA Share Appreciation Incentive Scheme (2016) — 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	N/A	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, 2018	**December 31, 2019**
STA Share price (RMB)	39.50	**49.9**
Exercise price(RMB)	8.00	**8.00**
Expected volatility	27.10%-31.10%	**22.67%-29.32%**
Expected life (years)	0.39~3.39	**0.39~2.39**
Risk-free interest rate	2.50–2.70%	**1.58–1.59%**

STA Share Appreciation Incentive Scheme (2016) — 2nd batch and STA Appreciation Incentive Scheme (2017)	December 31, 2018	**December 31, 2019**
STA Share price (RMB)	39.50	**49.9**
Exercise price(RMB)	8.00	**8.00**
Expected volatility	26.50%-29.50%	**24.60%-28.96%**
Expected life (years)	1.54~4.54	**0.54~3.54**
Risk-free interest rate	2.70–2.70%	**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 165 of this annual report.

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, 2019, 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	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	452,703,276 A Shares (L)(2)	27.4178%
Dr. Ning Zhao	Interests held jointly with another person; interests of spouse; interests of controlled corporation	452,703,276 A Shares (L)(2)	27.4178%
Mr. Zhaohui Zhang	Interests held jointly with another person; interests of controlled corporation	452,703,276 A Shares (L)(2)	27.4178%
Mr. Xiaozhong Liu	Interests held jointly with another person; interests of controlled corporation	452,703,276 A Shares (L)(2)	27.4178%
Mr. Edward Hu	Beneficial owner; interests of spouse	290,800 Restricted A Shares(5)	0.0176%
Mr. Ellis Bih-Hsin Chu	Beneficial owner	175,000 share options(4)	0.0106%

Notes:

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

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

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

(5) 38,400 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.

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	2,225,250	0.4924%
Mr. Zhaohui Zhang	Shanghai SynTheAll Pharmaceutical Co., Ltd. (上海合全藥業股份有限公司)	Beneficial owner	684,421	0.1514%
Mr. Xiaozhong Liu	Shanghai SynTheAll Pharmaceutical Co., Ltd. (上海合全藥業股份有限公司)	Beneficial owner	942,021	0.2084%
Mr. Edward Hu	Shanghai SynTheAll Pharmaceutical Co., Ltd. (上海合全藥業股份有限公司)	Beneficial owner	85,840	0.0190%

Save as disclosed above and in the section headed "Share Incentive Schemes" and to the best knowledge of the Directors, as at December 31, 2019, 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, 2019, 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	452,703,276 A Shares (L)	30.57%	27.41%
Dr. Ning Zhao[2][3]	Interests held jointly with another person; interests of spouse; interests of controlled corporation	452,703,276 A Shares (L)	30.57%	27.41%
Mr. Zhaohui Zhang[2][4]	Interests held jointly with another person; interests of controlled corporation	452,703,276 A Shares (L)	30.57%	27.41%
Mr. Xiaozhong Liu[2][5]	Interests held jointly with another person; interests of controlled corporation	452,703,276 A Shares (L)	30.57%	27.41%
Ms. Zhang Lei[4]	Interests of spouse	452,703,276 A Shares (L)	30.57%	27.41%
Ms. Zhang Guolian[5]	Interests of spouse	452,703,276 A Shares (L)	30.57%	27.41%
G&C VI Limited[6]	Beneficial owner	113,400,000 A Shares (L)	7.65%	6.86%
G&C I Limited[6]	Interests of controlled corporation	113,400,000 A Shares (L)	7.65%	6.86%
G&C Limited[6]	Interests of controlled corporation	143,409,000 A Shares (L)	9.68%	8.68%
WXAT BVI[7]	Beneficial owner	110,032,680 A Shares (L)	7.43%	6.66%
WuXi PharmaTech[7]	Interests of controlled corporation	110,032,680 A Shares (L)	7.43%	6.66%
Life Science Limited[7]	Interests of controlled corporation	110,032,680 A Shares (L)	7.43%	6.66%
Life Science Holdings[7]	Interests of controlled corporation	110,032,680 A Shares (L)	7.43%	6.66%
G&C IV Hong Kong Limited[8]	Beneficial owner	82,928,160 A Shares (L)	5.60%	5.02%
G&C VIII Limited[8]	Interests of controlled corporation	82,928,160 A Shares (L)	5.60%	5.02%
G&C IV Limited[8]	Interests of controlled corporation	82,928,160 A Shares (L)	5.60%	5.02%

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
Glorious Moonlight Limited(9)	Beneficial owner	82,556,403 A Shares (L)	5.57%	5.00%
Endless Vigor Limited(9)	Interests of controlled corporation	82,556,403 A Shares (L)	5.57%	5.00%
Peaceful Pasture Limited(9)	Interests of controlled corporation	82,556,403 A Shares (L)	5.57%	5.00%
Boyu Capital Fund II, L.P.(9)	Interests of controlled corporation	82,556,403 A Shares (L)	5.57%	5.00%
Boyu Capital General Partner II, L.P.(9)	Interests of controlled corporation	82,556,403 A Shares (L)	5.57%	5.00%
Boyu Capital General Partner II, Ltd.(9)	Interests of controlled corporation	82,556,403 A Shares (L)	5.57%	5.00%
Boyu Capital Holdings Limited(9)	Interests of controlled corporation	82,556,403 A Shares (L)	5.57%	5.00%
Summer Bloom Investments (I) Pte. Ltd.(10)	Beneficial owner	103,660,271 A Shares (L)	7.00%	6.27%
Summer Bloom Investments (II) Pte. Ltd.(10)	Interests of controlled corporation	103,660,271 A Shares (L)	7.00%	6.27%
Summer Bloom Investments Pte. Ltd.(10)	Interests of controlled corporation	103,660,271 A Shares (L)	7.00%	6.27%
Pavilion Capital International Pte. Ltd.(10)	Interests of controlled corporation	103,660,271 A Shares (L)	7.00%	6.27%
Pavilion Capital Holdings Pte. Ltd.(10)	Interests of controlled corporation	103,660,271 A Shares (L)	7.00%	6.27%
Linden Investments Pte. Ltd.(10)	Interests of controlled corporation	103,660,271 A Shares (L)	7.00%	6.27%
Fullerton Fund Investments Pte. Ltd.(10)	Interests of controlled corporation	103,660,271 A Shares (L)	7.00%	6.27%
Temasek Holdings (Private) Limited(10)	Interests of controlled corporation	103,660,271 A Shares (L)	7.00%	6.27%
Morgan Stanley Capital Management, LLC	Interests of a controlled corporation	23,209,216 H Shares (L)	13.61%	1.42%
		17,750,000 H Shares (S)	10.41%	1.08%
Wellington Management Group LLP	Investment manager	21,538,801 H Shares (L)	12.63%	1.30%
		38,315 H Shares (S)	0.02%	0.00%

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
BlackRock Inc.	Interests of a controlled corporation	15,519,597 H Shares (L)	9.10%	0.93%
		135,000 H Shares (S)	0.07%	0.00%
Schroders Plc	Investment manager	11,871,123 H Shares (L)	6.96%	0.71%
Qatar Investment Authority	Interests of a controlled corporation	24,850,000 H Shares (L)	14.57%	1.50%
JPMorgan Chase & Co.	Interests of a controlled corporation, Investment manager, Person having a security interest in shares and Approved lending agent	13,556,561 H Shares (L)	7.95%	0.82%
	Interests of a controlled corporation	766,752 H Shares (S)	0.45%	0.04%
	Approved lending agent	5,962,248 H Shares (P)	3.49%	0.36%
The Capital Group Companies, Inc.	Interests of a controlled corporation	10,950,584 H Shares (L)	6.42%	0.66%
Citigroup Inc.	Interests of a controlled corporation, Person having a security interest in shares and Approved lending agent	9,391,393 H Shares (L)	5.50%	0.567%
	Interest of corporation controlled	431,975 H Shares (S)	0.25%	0.02%
	Approved lending agent	8,557,925 H Shares (P)	5.01%	0.51%
Credit Suisse Group AG	Interests of a controlled corporation, Investment manager	8,583,794 H Shares (L)	5.03%	0.51%
		6,124,549 H Shares (S)	3.59%	0.37%
Pandanus Associates Inc.	Interests of a controlled corporation	8,606,719 H Shares (L)	5.04%	0.52%

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. For details, please see the section headed "History and Corporate Development — Acting in Concert" in the Prospectus.

(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) Life Science Holdings indirectly wholly owns WXAT BVI through its wholly own interests in WuXi PharmaTech and Life Science Limited. Under the SFO, Life Science Holdings is deemed to be interested in our Shares held by WXAT BVI.

(8) 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. For details, please see the section headed "History and Corporate Development — Corporate Structure" in the Prospectus. 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.

(9) Peaceful Pasture Limited indirectly wholly owns Glorious Moonlight Limited through its wholly-owned interests in Endless Vigor Limited. Peaceful Pasture Limited is controlled by Boyu Capital Fund II, L.P., which is controlled by Boyu Capital General Partner II, L.P., which is in turn controlled by Boyu Capital General Partner II, Ltd., which is wholly-owned by Boyu Capital Holdings Limited.

(10) 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.

Save as disclosed above, to the best knowledge of the Company, as at December 31, 2019, 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 90 to 101 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 6.5% of the Group's total revenue. The Group's five largest customers accounted for 19.8% of the Group's total revenue.

In the Reporting Period, the Group's largest suppliers accounted for 3.3% of the Group's total purchase. The Group's five largest suppliers accounted for 15.3% 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.

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

The Group had 21,744 employees as at December 31, 2019. 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.

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. The emolument policy for the employees of the Group is set up by the Board on the basis of their merit, qualification and competence. We provide regular training to our employees in order to improve their skills and knowledge. The training courses range from further educational studies to skill training to professional development courses for management personnel. 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 31,2019. 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 50 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 52 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, which is disclosed in note 52 to the consolidated financial statements in this annual report.

The table below set out the annual caps and the actual transaction amount of such continuing connected transaction for the year ended December 31, 2019:

Connected Transaction	Connected Person	Description	Pricing Policy	Annual cap for the year ended December 31, 2019 (RMB million)	Actual Transaction Amount for the year ended December 31, 2019 (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	34.10	13.04

The detailed terms of the non-exempt continuing connected transactions 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 will expire 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.

Annual caps

The annual caps for the continuing connected transactions for the year ended December 31, 2019 amounted to RMB34.1 million, and the year ending December 31, 2020 will amount to RMB51.0 million.

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 listed issuer's board of directors;

(2) were not, in all material respects, in accordance with the pricing policies of the listed issuer's group if the transactions involve the provision of goods or services by the listed issuer's group;

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

(4) have exceeded the cap.

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

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 52 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 52 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 recognises the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of the Shareholders as a whole. The Company has adopted the code provisions set out in the CG Code as its own code to govern its corporate governance practices.

In the opinion of the Directors, the Company has complied with the relevant code provisions contained in the CG Code during the Period.

The Board will continue to review and monitor the 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 61 to 77 of this annual report.

DONATIONS

During the Reporting Period, the Company made donations of RMB0.4 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 2019 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 24, 2020

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 119 to 274, which comprise the consolidated statement of financial position as at December 31, 2019, 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, 2019, 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, 2019, as disclosed in Note 18, the carrying amount of goodwill is RMB1,362,176,000. 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 impairment of goodwill acquired in business combinations as a key audit matter.	Our procedures in relation to the impairment of goodwill acquired in business combinations 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; • Checking the cash flow projections to determine whether it conforms or contradicts 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. For the year ended December 31, 2019, revenue of the Group's CRO services is RMB9,098,932,000, of which RMB6,798,226,000 is derived from FFS model, representing 74.71% 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 lead to material misstatement in the revenue recognition. Therefore, we identify the judgements in determining the timing of satisfaction of performance obligations 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 determining the timing of satisfaction of performance obligations and evaluating the design and operating effectiveness of these controls;

- Inquiring of the management of the Group and inspecting 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 satisfaction of the performance obligation:

  (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 cost-to-cost (input method) or units produced /services transferred (output method) faithfully depicts the progress of the contract;

    (b) Test the accuracy of the inputs or outputs used by the management in their calculations.

  (ii) For performance obligations satisfied at a point in time, checking supporting evidence of the delivery of units produced/services transferred.

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 a wide variety of companies in life science and healthcare sector to support the sustainable growth of the Group. 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, 2019, as disclosed in Note 31, the fair value of unlisted equity with no quoted market prices in active markets is RMB2,563,112,000. The fair value of these investments with no quoted market prices in active markets are determined based on significant unobservable inputs using valuation techniques. Judgment and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. 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; • With the assistance of our internal valuation specialists (if needed), evaluating the appropriateness of the valuation techniques in the circumstances and challenging management's key inputs with supporting evidence such as market data obtained independently; • For those investments that management use the assistance of external appraisers in the fair value measurement, assessing the objectivity, independence and competence of the external appraisers.

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, related safeguards.

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 24, 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended December 31, 2019

	NOTES	**Year ended 31/12/2019** ***RMB'000***	Year ended 31/12/2018 *RMB'000*
Revenue	5	**12,872,206**	9,613,684
Cost of services		**(7,866,058)**	(5,836,765)
Gross profit		**5,006,148**	3,776,919
Other income	7	**249,497**	156,417
Other gains and losses	8	**(188,847)**	600,588
Impairment losses under expected credit losses ("ECL") model, net of reversal	9	**(43,165)**	(10,521)
Selling and marketing expenses		**(438,540)**	(337,878)
Administrative expenses		**(1,509,000)**	(1,152,592)
Research and development expenses		**(590,389)**	(436,533)
Operating profit		**2,485,704**	2,596,400
Share of profits of associates		**18,589**	104,601
Share of losses of joint ventures		**(39,306)**	(27,770)
Finance costs	10	**(128,019)**	(92,407)
Profit before tax		**2,336,968**	2,580,824
Income tax expense	11	**(425,559)**	(247,143)
Profit for the year	12	**1,911,409**	2,333,681
Other comprehensive income (expense) for the year			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		**50,776**	84,430
Fair value gain (losses) on			
— hedging instrument designated in cash flow hedges		**58,048**	(83,211)
Other comprehensive income for the year, net of income tax		**108,824**	1,219
Total comprehensive income for the year		**2,020,233**	2,334,900

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended December 31, 2019

	NOTES	Year ended 31/12/2019 *RMB'000*	Year ended 31/12/2018 *RMB'000*
Profit for the year attributable to:			
Owners of the Company		**1,854,551**	2,260,523
Non-controlling interests		**56,858**	73,158
		1,911,409	2,333,681
Total comprehensive income for the year attributable to:			
Owners of the Company		**1,954,504**	2,267,727
Non-controlling interests		**65,729**	67,173
		2,020,233	2,334,900
		RMB	*RMB*
Earnings per share			
— Basic	14	**1.14**	1.59
— Diluted	14	**1.12**	1.58

Consolidated Statement of Financial Position

At December 31, 2019

	NOTES	Year ended 31/12/2019 RMB'000	Year ended 31/12/2018 RMB'000
Non-current Assets			
Property, plant and equipment	16	**7,665,990**	6,057,611
Right-of-use assets	17	**1,564,438**	—
Goodwill	18	**1,362,176**	1,144,076
Other intangible assets	19	**495,874**	347,949
Prepaid lease payments	21	**—**	272,306
Interests in associates	22	**768,292**	618,736
Interests in joint ventures	23	**25,215**	36,822
Deferred tax assets	24	**262,215**	250,175
Financial assets at fair value through profit or loss ("FVTPL")	31	**4,009,081**	2,079,311
Other non-current assets	25	**62,391**	47,378
Biological assets	26	**360,254**	—
Amounts due from related parties	52	**174**	—
		16,576,100	10,854,364
Current Assets			
Inventories	27	**1,208,320**	854,761
Contract costs	28	**180,201**	97,712
Biological assets	26	**353,964**	—
Amounts due from related parties	52	**13,342**	13,882
Trade and other receivables	29	**3,555,889**	2,498,696
Contract assets	29	**379,396**	384,530
Prepaid lease payments	21	**—**	6,237
Income tax recoverable		**6,286**	34,028
Financial assets at FVTPL	31	**1,701,638**	2,125,334
Derivative financial instruments	33	**36,755**	37,054
Pledged bank deposits	32	**3,950**	2,913
Bank balances and cash	32	**5,223,293**	5,757,691
		12,663,034	11,812,838
Current Liabilities			
Trade and other payables	34	**3,392,829**	2,610,553
Amounts due to related parties	52	**24,796**	12,015
Derivative financial instruments	33	**86,378**	153,292
Contract liabilities	35	**897,140**	681,863
Borrowings	37	**1,809,857**	120,000
Lease liabilities	38	**142,497**	—
Financial liabilities at FVTPL	41	**19,499**	—
Income tax payables		**261,390**	184,335
		6,634,386	3,762,058

Consolidated Statement of Financial Position

At December 31, 2019

	NOTES	Year ended 31/12/2019 RMB'000	Year ended 31/12/2018 RMB'000
Net Current Assets		**6,028,648**	8,050,780
Total Assets Less Current Liabilities		**22,604,748**	18,905,144
Non-current Liabilities			
Borrowings	37	**762,400**	15,000
Deferred tax liabilities	24	**231,098**	111,747
Deferred income	36	**667,382**	418,843
Lease liabilities	38	**1,104,689**	—
Convertible bonds — debt component	40	**1,874,915**	—
Convertible bonds — embedded derivative component	40	**298,013**	—
Financial liabilities at FVTPL	41	**24,729**	—
Other long-term liabilities	39	**231,812**	194,323
		5,195,038	739,913
Net Assets		**17,409,710**	18,165,231
Capital and Reserves			
Share capital	42	**1,651,127**	1,164,741
Reserves		**15,661,128**	16,523,280
Equity attributable to owners of the Company		**17,312,255**	17,688,021
Non-controlling interests		**97,455**	477,210
Total Equity		**17,409,710**	18,165,231

The consolidated financial statements on pages 119 to 274 were approved and authorized for issue by the board of directors on March 24, 2020 and are signed on its behalf by:

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

Consolidated Statement of Changes in Equity

For the year ended December 31, 2019

	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	Investment revaluation reserve RMB'000	Other reserve RMB'000	Retained earnings RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at January 1, 2018	937,787	2,311,996	–	(52,963)	371,844	–	49,089	21,296	–	398,216	2,493,736	6,531,001	395,631	6,926,632
Profit for the year	–	–	–	–	–	–	–	–	–	–	2,260,523	2,260,523	73,158	2,333,681
Other comprehensive (expense) income for the year	–	–	–	–	–	(79,646)	86,850	–	–	–	–	7,204	(5,985)	1,219
Total comprehensive (expense) income for the year	–	–	–	–	–	(79,646)	86,850	–	–	–	2,260,523	2,267,727	67,173	2,334,900
Transferred to statutory reserve (Note a)	–	–	–	–	–	–	–	66,413	–	–	(66,413)	–	–	–
Issue of A Shares upon listing on Shanghai Stock Exchange	104,199	2,146,490	–	–	–	–	–	–	–	–	–	2,250,689	–	2,250,689
Issue of restricted A Shares	6,281	279,708	(285,989)	–	–	–	–	–	–	–	–	–	–	–
Issue of H Shares upon listing on The Hong Kong Stock Exchange	116,474	6,853,104	–	–	–	–	–	–	–	–	–	6,969,578	–	6,969,578
Transaction costs attributable to issue of new shares	–	(365,654)	–	–	–	–	–	–	–	–	–	(365,654)	–	(365,654)
Recognition of share-based payments (Note b)	–	–	–	–	41,206	–	–	–	–	–	–	41,206	2,786	43,992
Issue of ordinary shares of a subsidiary under employee share option plan	–	–	–	10,284	(8,735)	–	–	–	–	–	–	1,549	24,315	25,864
Change in ownership interests in subsidiaries without change of control (Note 53.3)	–	–	–	(8,075)	–	–	–	–	–	–	–	(8,075)	6,510	(1,565)
Dividends paid to non-controlling shareholders of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	(19,205)	(19,205)
Balance at December 31, 2018	1,164,741	11,225,644	(285,989)	(50,754)	404,315	(79,646)	135,939	87,709	–	398,216	4,687,846	17,688,021	477,210	18,165,231
Adoption of IFRS 16 (Note 2)	–	–	–	–	–	–	–	–	–	–	(28,408)	(28,408)	(1,124)	(29,532)

Consolidated Statement of Changes in Equity

For the year ended December 31, 2019

	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	Investment revaluation 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 42)	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 42)	(370)	(11,935)	12,305	–	–	–	–	–	–	–	–	–	–	–
Share premium transferred to share capital(Note 42)	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 53.3)	–	–	–	(2,107,518)	–	–	–	–	–	–	–	(2,107,518)	(470,702)	(2,578,220)
Issue of ordinary shares of a subsidiary under employee share option plan	–	–	–	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

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 arising from the WuXi PharmaTech Stock Units and Options Plan, STA Share Units and Options Incentive Scheme, 2018 WuXi AppTec A Share Incentive Scheme, 2019 WuXi AppTec A Share Incentive Scheme and 2019 WuXi AppTec H Share Appreciation Incentive Scheme disclosed in Note 46.

Consolidated Statement of Cash Flows

For the year ended December 31, 2019

	Year ended 31/12/2019 *RMB'000*	Year ended 31/12/2018 *RMB'000*
OPERATING ACTIVITIES		
Profit before tax	**2,336,968**	2,580,824
Adjustments for:		
Interest income	**(88,210)**	(12,195)
Income from government grants and subsidies related to assets	**(58,386)**	(34,891)
Finance costs	**128,019**	92,407
Dividends received from financial assets at FVTPL	**(14,683)**	(29,605)
Depreciation of property, plant and equipment	**742,377**	601,441
Depreciation of right-of-use assets	**158,249**	—
Amortization of prepaid lease payments	**—**	4,052
Amortization of other intangible assets	**62,725**	39,692
Impairment loss, net of reversal		
— inventories	**1,433**	2,011
— financial assets and other items under ECL model	**43,165**	10,521
Share of loss of joint ventures	**39,306**	27,770
Share of profits of associates	**(18,589)**	(104,601)
Share-based payment expenses	**173,470**	43,992
Net foreign exchange gain	**(20,668)**	(31,002)
Loss (gain) on disposal of		
— plant and equipment and right-of-use assets	**4,295**	10,382
— other intangible assets	**—**	(9)
— financial assets at FVTPL	**(39,559)**	—
Fair value loss (gain) on financial assets at FVTPL	**84,029**	(694,882)
Fair value loss on financial liabilities at FVTPL	**11,424**	—
Fair value gain on biological assets	**(4,949)**	—
Loss on derivative financial instruments	**154,730**	115,244
Operating cash flows before movements in working capital	**3,695,146**	2,621,151

Consolidated Statement of Cash Flows

For the year ended December 31, 2019

	Year ended 31/12/2019 RMB'000	Year ended 31/12/2018 RMB'000
Movements in working capital elements:		
Increase in inventories	**(378,914)**	(206,957)
Increase in contract costs	**(82,489)**	(20,589)
Increase in biological assets	**(49,729)**	—
Increase in trade and other receivables	**(1,083,127)**	(664,045)
Decrease (increase) in income tax recoverable	**27,742**	(34,028)
Decrease (increase) in contract assets	**17,794**	(198,854)
Increase in other non-current assets	**(21,663)**	(7,430)
Decrease in amounts due from related parties	**366**	2,681
Decrease in amounts due to related parties	**591**	—
Increase in trade and other payables	**618,809**	254,193
Increase in contract liabilities	**211,839**	69,594
Increase (decrease) in other long-term liabilities	**(13,181)**	29,077
Decrease in deferred income	**(2,804)**	(18,069)
Cash generated from operations	**2,940,380**	1,826,724
Income taxes paid	**(411,119)**	(300,942)
NET CASH FROM OPERATING ACTIVITIES	**2,529,261**	1,525,782
INVESTING ACTIVITIES		
Interests received	**84,278**	12,195
Proceeds from disposal of financial assets at FVTPL	**554,782**	159,202
Purchase of financial assets at FVTPL	**(2,121,962)**	(2,273,573)
Proceeds from disposal of other intangible assets	**659**	141
Proceeds from disposal of property, plant and equipment	**15,187**	10,030
Acquisition of interests in associates	**(126,220)**	(653,250)
Acquisition of interests in joint ventures	**(20,864)**	(93,236)
Purchases of property, plant and equipment	**(2,268,971)**	(2,076,896)
Purchases of right-for-use assets	**(152,075)**	—
Payments for rental deposits	**(6,201)**	—
Purchases of other intangible assets	**(28,037)**	(14,772)
Purchases of biological assets	**(82,714)**	—
Payments for prepaid lease payments	**—**	(153,057)
Withdraw of pledged bank deposits	**—**	3,334
Placement of pledged bank deposits	**(1,037)**	—
Net cash outflow on acquisition of subsidiaries	**(784,772)**	(99,933)
Dividends received from financial assets at FVTPL	**106,831**	25,602
Dividends received from interests in associates	**11,487**	—
Payments for forward contract	**(78,126)**	(102,049)
Government grants and subsidies received related to assets	**309,729**	94,247
NET CASH USED IN INVESTING ACTIVITIES	**(4,588,026)**	(5,162,015)

	Year ended 31/12/2019 RMB'000	Year ended 31/12/2018 RMB'000
FINANCING ACTIVITIES		
Payments of dividends	**(678,641)**	(19,205)
New borrowings raised	**2,847,936**	1,465,530
Repayments of borrowings	**(417,000)**	(2,983,584)
Repayments of lease liabilities	**(160,545)**	—
Proceeds from issue of ordinary shares of a subsidiary under employee share option plan	**25,671**	25,864
Proceeds from issue of A Shares	**—**	2,250,689
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**	285,989
Repurchase and cancellation of restricted A shares	**(12,305)**	—
Proceeds from issue of H Shares	**—**	6,969,578
Proceeds from issue of H Shares under the over-allotment option	**308,235**	—
Interests paid	**(51,837)**	(83,348)
Acquisition of interests in a subsidiary from non-controlling shareholders	**(2,578,220)**	—
Payments for acquisition of equity interest under common control	**—**	(574,030)
Repayments of consideration payable on purchase of a property under installment payment plan	**(200,255)**	(28,265)
Issue cost paid	**(40,036)**	(325,060)
NET CASH FROM FINANCING ACTIVITIES	**1,557,861**	6,984,158
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(500,904)**	3,347,925
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR	**5,757,691**	2,466,144
Effects of exchange rate changes	**(33,494)**	(56,378)
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	**5,223,293**	5,757,691

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. 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. LIU Xiaozhong 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

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

The Company and its subsidiaries (the "Group") have applied the following new and amendments to IFRSs issued by the International Accounting Standards Board ("IASB") for the first time in the current year:

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

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

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

2. APPLICATION OF NEW AND REVISED IFRSs (Continued)

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

IFRS 16 Leases

Definition of a lease

The Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after January 1, 2019, the Group applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied IFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, January 1, 2019.

As at 1 January 2019, the Group recognised additional lease liabilities and measured right-of-use assets at the carrying amounts as if IFRS 16 had been applied since commencement dates, but discounted using the incremental borrowing rates of the relevant group entities at the date of initial application by applying IFRS 16.C8(b)(i) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under IFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under IAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment of whether leases are onerous by applying IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;

ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

iv. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment; and

v. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rates applied is 4.35% for China and 4.95% for US.

2. APPLICATION OF NEW AND REVISED IFRSs (Continued)

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

IFRS 16 Leases (Continued)

As a lessee (Continued)

	At January 1, 2019 RMB'000
Operating lease commitments disclosed as at December 31, 2018	1,260,056
Lease liabilities discounted at relevant incremental borrowing rates	1,111,826
Less: Recognition exemption — short-term leases	10,751
Non-lease components	31,238
Value-added tax	54,148
Lease not yet commenced	224,711
Lease liabilities relating to operating leases recognised upon application of IFRS 16	790,978
Lease liabilities as at January 1, 2019	790,978
Analysed as	
Current	161,885
Non-current	629,093
	790,978

2. APPLICATION OF NEW AND REVISED IFRSs (Continued)

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

IFRS 16 Leases (Continued)

As a lessee (Continued)

The carrying amount of right-of-use assets as at January 1, 2019 comprises the following:

	Right-of-use assets RMB'000
Right-of-use assets relating to operating leases recognised upon application of IFRS 16	768,680
Reclassified from prepaid lease payments (a)	278,543
Adjustments on rental deposits at January 1, 2019 (b)	6,828
Less: Accrued lease liabilities at January 1, 2019	54,183
	999,868
By class:	
Leasehold lands	278,543
Land and buildings	721,325
	999,868

(a) Upfront payments for leasehold lands in the PRC for own used properties were classified as prepaid lease payments as at December 31, 2018. Upon application of IFRS 16, the current and non-current portion of prepaid lease payments amounting to RMB6,237,000 and RMB272,306,000 respectively were reclassified to right-of-use assets.

(b) Before the application of IFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which IAS 17 applied. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. Accordingly, RMB6,828,000 was adjusted to refundable rental deposits paid and right-of-use assets.

In accordance with the transitional provisions in IFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with IFRS 16 from the date of initial application and comparative information has not been restated.

2. APPLICATION OF NEW AND REVISED IFRSs (Continued)

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

IFRS 16 Leases (Continued)

As a lessee (Continued)

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

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

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended December 31, 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at January 1, 2019 as disclosed above.

2. APPLICATION OF NEW AND REVISED IFRSs (Continued)

New and revised IFRSs in issue but not yet effective

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

IFRS 17	Insurance Contracts[1]
Amendments to IFRS 3	Definition of a Business[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[5]
Amendments to IAS 1 and IAS 8	Definition of Material[4]
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform[4]

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

2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after January 1, 2020.

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

4 Effective for annual periods beginning on or after January 1, 2020.

5 Effective for annual periods beginning on or after January 1, 2022.

In addition to the above new and amendments to IFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, *the Amendments to References to the Conceptual Framework in IFRS Standards*, will be effective for annual periods beginning on or after January 1, 2020.

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

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.

2. APPLICATION OF NEW AND REVISED IFRSs (Continued)

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

As at 31 December 2019, 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 RMB1,874,915,000 and the derivative component (including the conversion options) is measured at fair value with carrying amount of RMB298,013,000 as at December 31, 2019, both of which are classified as non-current as set out in Note 40. 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.

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 (since January 1, 2019) or IAS 17 (before application of 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combination (Continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combination (Continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers

Under IFRS 15, 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers (Continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers (Continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

Definition of a lease (Continued)

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.

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 asset 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

The Group as a lessee (Continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

The Group as a lessee (Continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

The Group as a lessor (Continued)

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.

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).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (Continued)

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;
- 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.

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)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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.

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.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

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.

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, 2019, the carrying amount of goodwill is RMB1,362,176,000 (December 31, 2018: RMB1,144,076,000), net of accumulated impairment loss of RMB100,537,000 (December 31, 2018: RMB99,641,000). Details of the recoverable amount calculation are disclosed in Note 18.

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 RMB2,563,112,000 as at December 31, 2019 (December 31, 2018: RMB883,925,000) 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 31.

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 40.

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 26.

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, 2019, a deferred tax asset of RMB43,726,000 (December 31, 2018: RMB26,301,000) 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 RMB246,084,000 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 30.

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, 2019, the carrying amounts of inventories were approximately RMB1,208,320,000 (December 31, 2018: RMB854,761,000), net of write down of inventories of approximately RMB13,137,000 (December 31, 2018: RMB11,703,000).

As at December 31, 2019, the carrying amounts of contract cost were approximately RMB RMB180,201,000 (December 31, 2018: RMB97,712,000).

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

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

Timing of revenue recognition

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

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

6. 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

— CMO/CDMO services

— Others

Segment revenue and results

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

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

6. SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

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

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

No revenue amounting to 10% or more of the Group's total revenue was derived from sales to a single customer for the years ended December 31, 2019 and 2018.

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

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

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

7. OTHER INCOME

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

Notes:

(i) The Group has received certain government grants and subsidies to invest in laboratory 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 36.

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

9. IMPAIRMENT LOSSES UNDER ECL MODEL, NET OF REVERSAL

	Year ended 31/12/2019 *RMB'000*	Year ended 31/12/2018 *RMB'000*
Impairment losses under ECL model on		
— trade receivables	**46,866**	9,747
— contract assets	**(3,701)**	6,481
— amounts due from related parties	**—**	(5,707)
	43,165	10,521

10. FINANCE COSTS

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

11. INCOME TAX EXPENSE

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

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

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

The federal corporate tax rate remains at 21% and the state income tax rate remains at a range from 4% to 10 % for 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.

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.

11. INCOME TAX EXPENSE (Continued)

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

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 31/12/2019 ***RMB'000***	Year ended 31/12/2018 *RMB'000*
Profit before tax	**2,336,968**	2,580,824
Tax at the applicable tax rate of 25%	**584,242**	645,206
Tax effect of expenses not deductible for tax purpose	**13,717**	22,931
Tax effect of income that is exempt from taxation	**(40,943)**	(45,966)
(Over) under provision in respect of prior years	**(10,225)**	(47,492)
Effect of unused tax losses and other deductible temporary differences not recognised as deferred tax assets	**55,786**	24,333
Utilization of tax losses and other deductible temporary differences previously not recognised as deferred tax assets	**(18,239)**	(16,688)
Effect on opening deferred tax assets or liabilities resulting from change in applicable tax rate	**23,224**	(734)
Effect of different tax rate of subsidiaries operating in other jurisdictions and tax concession	**(181,570)**	(327,169)
Others	**(433)**	(7,278)
Income tax expense	**425,559**	247,143

12. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

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

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, 2019						
Chief Executive and executive director						
Dr. Ge LI	—	7,713	10,287	59	—	18,059
Mr. Edward HU (i)	—	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 (ii)	200	—	—	—	—	200
Total	1,000	17,291	15,621	300	2,192	36,404

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, 2018						
Chief Executive and executive director						
Dr. Ge LI	—	7,711	9,869	66	—	17,646
Mr. Edward HU (i)	—	3,253	1,199	66	319	4,837
Executive directors						
Mr. Xiaozhong LIU	—	2,201	1,166	96	—	3,463
Mr. Zhaohui ZHANG	—	1,981	840	96	—	2,917
Dr. Ning ZHAO	—	1,610	546	—	—	2,156
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 (ii)	10	—	—	—	—	10
Total	810	16,756	13,620	324	319	31,829

Notes:

(i) Mr. Edward HU was appointed as Co-CEO of the Company on August 22, 2018.

(ii) Mr. Dai FENG was appointed as a director of the Company on December 13, 2018.

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, 2019 include two directors (2018: two directors) disclosed above, details of whose remuneration are set out as above. The emoluments of the remaining three highest paid individuals for the years ended December 31, 2019 (2018: three) were as follows:

	Year ended 31/12/2019 ***RMB'000***	Year ended 31/12/2018 *RMB'000*
Salaries and other benefits	**10,196**	10,035
Performance-based bonus	**5,803**	4,324
Share-based compensation	**3,874**	559
Total	**19,873**	14,918

The emoluments of the five highest paid individuals were within the following bands:

	Number of individuals	
	Year ended 31/12/2019	Year ended 31/12/2018
HK$4,500,001 to HK$5,000,000	**—**	1
HK$5,500,001 to HK$6,000,000	**—**	2
HK$7,000,001 to HK$7,500,000	**1**	1
HK$7,500,001 to HK$8,000,000	**2**	—
HK$9,000,001 to HK$9,500,000	**1**	—
HK$20,500,001 to HK$21,000,000	**1**	1
Total	**5**	5

During the year, restricted A shares were granted to an executive director in respect of his services to the Group, further details of which are included in the disclosures in Note 46 to the financial statements. The fair value of these restricted A 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 director's remuneration disclosures.

14. EARNINGS PER SHARE

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

	Year ended 31/12/2019 *RMB'000*	Year ended 31/12/2018 *RMB'000*
Earnings:		
Profit attributable to ordinary equity holders of the parent	**1,854,551**	2,260,523
Less: Cash dividends attribute to the shareholders of restricted shares expected to be unlocked in the future	**(3,263)**	—
Earnings for the purpose of calculating basic earnings per share	**1,851,288**	2,260,523
Effect of dilutive potential ordinary shares:		
Add: Cash dividends attribute to the shareholders of restricted shares expected to be unlocked in the future	**3,263**	—
Effect of share options issued by a subsidiary	**(20,608)**	(15,444)
Earnings for the purpose of calculating diluted earnings per share	**1,833,943**	2,245,079

	Year ended 31/12/2019	Year ended 31/12/2018
Number of Shares ('000):		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,629,312**	1,418,908
Effect of dilutive potential ordinary shares:		
Effect of restricted shares units issued by the Company	**4,160**	120
Effect of over-allotment option	**163**	—
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**1,633,635**	1,419,028

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

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

14. EARNINGS PER SHARE (Continued)

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

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

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

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

15. DIVIDENDS

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

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

Subsequent to the end of the reporting period, the directors of the Company proposes the 2019 profit distribution plan ("2019 Profit Distribution Plan") as follows: (1) a dividend in an aggregate amount of RMB556,430,000 (2018: RMB678,641,000) (inclusive of tax) to be paid to shareholders on the record date for determining the shareholders' entitlement to 2019 Profit Distribution plan which amounts to a dividend of RMB0.337(2018:RMB0.58) (inclusive of tax) per ordinary share, and (2) 4 new shares for every 10 existing shares (2018: 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, 2018	1,835,884	958,655	2,011,027	21,896	3,472	808,357	843,665	6,482,956
Additions	85	189,355	53,716	352	859	148,410	2,007,722	2,400,499
Transfers from CIP	150,735	358,609	408,456	1,215	3,949	389,117	(1,312,081)	—
Transfer to intangible assets	—	—	—	—	—	—	(12,323)	(12,323)
Acquisition of a subsidiary	—	—	2,234	—	—	—	—	2,234
Disposals	(30,034)	(56,219)	(42,439)	(2,582)	(4,100)	(978)	—	(136,352)
Effect of foreign currency exchange difference	29	18,547	1,164	—	53	30,039	—	49,832
At December 31, 2018	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 a subsidiary	**85,099**	**960**	**1,615**	**355**	**3,583**	**2,085**	**26**	**93,723**
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**	**11,873**	**—**	**21,747**
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**
DEPRECIATION								
At January 1, 2018	597,159	505,010	879,596	13,964	1,647	230,112	—	2,227,488
Provided for the year	96,599	191,062	209,097	2,732	1,169	100,782	—	601,441
Eliminated on disposals	(29,975)	(48,438)	(33,448)	(2,563)	(1,239)	(277)	—	(115,940)
Effect of foreign currency exchange difference	23	10,776	545	—	25	4,877	—	16,246
At December 31, 2018	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**
Carrying Value								
At December 31, 2018	1,292,893	810,537	1,378,368	6,748	2,631	1,039,451	1,526,983	6,057,611
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**

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

The above items of 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	14.29%–20% per annum
Transportation equipment	9%–20% per annum
Others	19%–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 1,2019			
Carrying amount	**278,543**	**721,325**	**999,868**
As at December 31, 2019			
Carrying amount	**422,163**	**1,142,275**	**1,564,438**
For the year ended December 31, 2019			
Depreciation charge	**(8,455)**	**(149,794)**	**(158,249)**
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			**15,385**
Expense relating to leases of low-value assets, excluding short-term leases of low value assets			**411**
Total cash outflow for leases (Note)			**328,416**
Additions to right-of-use assets			**710,645**

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.

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 2019, the portfolio of short-term leases is similar to the portfolio of short-term leases of 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 38 and Note 10, respectively. For the year ended 31 December 2019, 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.

As at 31 December 2019, the Group entered into some leases contracts that are not yet commenced. The lease payment of these leases will be RMB37,549,000.

18. GOODWILL

	31/12/2019 RMB'000	31/12/2018 RMB'000
COST		
At the beginning of year	**1,243,717**	1,055,071
Effect of foreign currency exchange difference	**8,198**	13,207
Acquisition of subsidiaries (Note 45)	**210,798**	175,439
At the end of year	**1,462,713**	1,243,717
IMPAIRMENT		
At the beginning of year	**99,641**	97,033
Effect of foreign currency exchange difference	**896**	2,608
At the end of year	**100,537**	99,641
CARRYING VALUES		
At the end of year	**1,362,176**	1,144,076

Particulars regarding impairment assessment on goodwill are disclosed in Note 20.

19. OTHER INTANGIBLE ASSETS

	Trademark	Software and others	Customer relationship	Patent	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
COST					
At January 1, 2018	27,983	131,114	290,196	61,000	510,293
Additions	—	14,772	—	—	14,772
Acquisition of a subsidiary	8,452	6,757	46,829	—	62,038
Transfer from CIP	—	12,323	—	—	12,323
Disposals	—	(918)	—	—	(918)
Effect of foreign currency exchange difference	1,207	1,904	6,051	—	9,162
At December 31, 2018	37,642	165,952	343,076	61,000	607,670
AMORTIZATION					
At January 1, 2018	4,823	72,386	38,990	4,685	120,884
Charge for the year	1,015	18,262	13,388	7,027	39,692
Eliminated on disposals	—	(786)	—	—	(786)
Effect of foreign currency exchange difference	164	592	1,602	—	2,358
At December 31, 2018	6,002	90,454	53,980	11,712	162,148
IMPAIRMENT					
At January 1, 2018	17,787	—	75,108	—	92,895
Effect of foreign currency exchange difference	896	—	3,782	—	4,678
At December 31, 2018	18,683	—	78,890	—	97,573
CARRYING VALUES					
At December 31, 2018	12,957	75,498	210,206	49,288	347,949
At December 31, 2017	5,373	58,728	176,098	56,315	296,514

19. OTHER INTANGIBLE ASSETS (Continued)

	Trademark RMB'000	Software and others RMB'000	Customer relationship RMB'000	Patent 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 December 31, 2019	11,678	101,138	258,449	124,609	495,874
At December 31, 2018	12,957	75,498	210,206	49,288	347,949

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	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 (nine 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-Biology and Preclinical Services (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.) and Unit I-Lab CRO Services (Abgent Inc.). The carrying amounts of goodwill allocated to these units are as follows:

	31/12/2019 ***RMB'000***	31/12/2018 *RMB'000*
Unit A	**81,757**	81,757
Unit B	**932**	932
Unit C	**167,120**	164,413
Unit D	**32,130**	31,611
Unit E	**688,722**	688,722
Unit F	**179,550**	176,641
Unit G	**105,665**	—
Unit H	**106,300**	—
Unit I (Note)	**—**	—
	1,362,176	1,144,076

Note: The Group had recognized full impairment loss in relation to goodwill in Unit I in prior year.

20. IMPAIRMENT ASSESSMENT ON GOODWILL (Continued)

No impairment loss in relation to goodwill is recognised for the year ended December 31, 2019 and December 31, 2018 as the recoverable amounts of all CGUs were higher than their carrying amounts.

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
Growth rate	3%	3%	3%	3%	3%	3%	3%	—
Discount rate	21%	14%	16%	14%	14%	14%	16%	13%

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 management of the Group assessed that any reasonably possible change in any of these assumptions would not cause the carrying amounts of Unit A, B, C, D, E, F, G and H to exceed their respective recoverable amounts as at December 31, 2019.

21. PREPAID LEASE PAYMENTS

	31/12/2018 *RMB'000*
Analyzed for reporting purposes as:	
Current assets	6,237
Non-current assets	272,306
	278,543

Upfront payments for leasehold lands in the PRC were classified as prepaid lease payments as at December 31, 2018. Upon application of IFRS 16, the current and non-current portion of prepaid lease payments amounting to RMB6,237,000 and RMB272,306,000 respectively were reclassified to right-of-use assets.

22. INTERESTS IN ASSOCIATES

	31/12/2019	31/12/2018
	RMB'000	*RMB'000*
At the beginning of the year	**618,736**	251,084
Addition (Note i & Note ii)	**126,220**	493,066
Disposal and transfer	**—**	(262,753)
Share of post-acquisition gains	**18,589**	104,601
Dividends	**(11,487)**	—
Exchange effect	**16,234**	32,738
At the end of the year	**768,292**	618,736

Notes:

(i) 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.

According to the limited partnership agreement, the capital contribution by the Group was made in installments. The Group injected USD5,500,000 (equivalent to RMB37,282,000) to the Fund II during the year ended December 31, 2019 (2018: RMB64,130,000).

(ii) In September 2019, the Group acquired 33.33% equity interest in VW Clinical Innovations Limited at a cash consideration of USD9,000,000 (equivalent to RMB63,706,000). VW Clinical Innovations Limited is a limited liability company incorporated under the laws of the Hong Kong.

22. INTERESTS IN ASSOCIATES (Continued)

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, 2019	December 31, 2018	**December 31, 2019**	December 31, 2018	
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	**35.80%**	35.80%	**35.80%**	35.80%	Investment holding company
JW Cayman	Cayman	**21.32%**	29.42%	**21.32%**	29.42%	CAR-T cell therapy R&D
Clarity Medical Group Limited	Cayman	**20%**	20%	**20%**	20%	Professional ophthalmic services
VW Clinical Innovations Limited	Hong Kong	**33.33%**	N/A	**33.33%**	N/A	E-Clinical technology company

Note 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.

No additional disclosure of financial information of associates as there is no individually material associate.

22. INTERESTS IN ASSOCIATES (Continued)

Aggregate information of associates that are not individually material

	31/12/2019	31/12/2018
	RMB'000	*RMB'000*
The Group's share of profit from continuing operations	**18,589**	104,601
The Group's share of other comprehensive income	**16,234**	32,738
The Group's share of total comprehensive income	**34,823**	137,339
Aggregate carrying amount of the Group's interests in these associates	**768,292**	618,736

23. INTERESTS IN JOINT VENTURES

	31/12/2019	31/12/2018
	RMB'000	*RMB'000*
At the beginning of the year	**36,822**	131,997
Addition	**26,455**	44,828
Transferred to subsidiary	**—**	(117,572)
Share of post-acquisition losses	**(39,306)**	(27,770)
Exchange effect	**1,244**	5,339
At the end of the year	**25,215**	36,822

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.

23. 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, 2019	December 31, 2018	**December 31, 2019**	December 31, 2018	
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
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.

23. INTERESTS IN JOINT VENTURES (Continued)

Aggregate information of joint ventures that are not individually material

	31/12/2019	31/12/2018
	RMB'000	*RMB'000*
The Group's share of loss from continuing operations	**(39,306)**	(27,770)
The Group's share of other comprehensive income	**1,244**	5,339
The Group's share of total comprehensive income	**(38,062)**	(22,431)
Aggregate carrying amount of the Group's interests in these joint ventures	**25,215**	36,822

24. 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:

	31/12/2019	31/12/2018
	RMB'000	*RMB'000*
Deferred tax assets	**262,215**	250,175
Deferred tax liabilities	**(231,098)**	(111,747)
	31,117	138,428

24. DEFERRED TAXATION (Continued)

	Deferred tax assets									Deferred tax liabilities					
	Tax losses RMB'000	Impairment allowance RMB'000	Share-based payment RMB'000	Accrued 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	Others RMB'000	Total RMB'000
At January 1, 2018	27,263	5,857	10,076	17,700	24,090	7,238	173,531	—	10,801	(37,024)	(98,379)	—		(276)	140,877
Credit (charge) to profit or loss	(1,374)	1,307	2,948	(5,844)	3,519	(226)	(13,719)	(53)	(5,324)	3,233	8,674	—		46	(6,813)
Credit to OCI	—	—	—	—	—	—	—	15,266	—	—	—	—		—	15,266
Acquisitions of a subsidiary	—	—	—	—	—	—	—	—	—	(16,748)	—	—		—	(16,748)
Effect of intragroup transaction	—	—	—	—	—	—	13,159	—	—	—	—	—		—	13,159
Exchange differences	412	95	507	291	—	294	—	207	2,897	(93)	(4,332)	—		(12)	266
Effect of change in tax rate	—	—	—	—	441	—	(8,020)	—	—	—	—	—		—	(7,579)
At December 31, 2018	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 a subsidiary	—	—	—	—	—	—	—	—	(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

24. 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:

	31/12/2019 RMB'000	31/12/2018 RMB'000
Impairment allowance	**420**	466
Deferred income	**—**	482
Tax losses	**246,084**	254,851
	246,504	255,799

The Group had unrecognised tax losses of and RMB246,084,000 as at December 31, 2019 (December 31, 2018: RMB254,851,000). These tax losses will be carried forward and expire in years as follows:

	31/12/2019 RMB'000	31/12/2018 RMB'000
2019	**—**	15,310
2020	**5,266**	19,535
2021	**4,417**	3,274
2022	**15,898**	8,561
2023	**103,384**	118,405
2024 and later	**54,698**	12,743
No expiry date	**62,421**	77,023
	246,084	254,851

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.

25. OTHER NON-CURRENT ASSETS

	31/12/2019 RMB'000	31/12/2018 RMB'000
Rental deposits	33,571	35,607
Prepaid expenses (non-current)	12,231	131
Others	16,589	11,640
	62,391	47,378

26. 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, 2019	—	—	—
Add: Purchases	70,524	53,329	123,853
Breeding costs	—	3,910	3,910
Acquisition of a subsidiary	304,671	287,457	592,128
Decrease due to mortality	(2,280)	(832)	(3,112)
Decrease due to sales	—	(7,510)	(7,510)
Gain/(loss) arising from changes in fair value less costs to sell of biological assets	5,906	(957)	4,949
Transfer among group of monkeys	(18,567)	18,567	—
Carrying value at December 31, 2019	360,254	353,964	714,218

26. BIOLOGICAL ASSETS (Continued)

Analysed for reporting purposes as:

	31/12/2019 RMB'000
Current	**353,964**
Non-current	**360,254**
Total	**714,218**

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.

27. INVENTORIES

	31/12/2019 RMB'000	31/12/2018 RMB'000
Raw material and consumables	**422,351**	218,947
Work in progress	**461,455**	314,063
Finished goods	**324,514**	321,751
	1,208,320	854,761

The inventories are net of a write-down of approximately RMB13,137,000 as at December 31, 2019 (December 31, 2018: RMB11,703,000).

28. CONTRACT COSTS

	31/12/2019	31/12/2018
	RMB'000	*RMB'000*
Costs to fulfill contracts	**180,201**	97,712

29. TRADE AND OTHER RECEIVABLES/CONTRACT ASSETS

29.1 Trade And Other Receivables

	31/12/2019	31/12/2018
	RMB'000	*RMB'000*
Trade receivables		
— third parties	**2,994,427**	2,015,622
Less: Allowance for credit losses	**(67,572)**	(32,353)
	2,926,855	1,983,269
Other receivables	**14,732**	39,582
Note receivable	**24,735**	2,709
Prepayments	**92,158**	78,279
Interest receivables	**5,229**	1,297
Prepaid expenses	**24,040**	42,798
Value added tax recoverable	**460,863**	344,760
Rental deposits	**7,277**	6,002
	614,302	475,845
Total trade and other receivables	**3,555,889**	2,498,696

29. TRADE AND OTHER RECEIVABLES/CONTRACT ASSETS (Continued)

29.1 Trade And Other Receivables (Continued)

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

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

In determining the recoverability of the trade receivables, the Group considers any change in the credit quality of the trade receivables from the date on which the credit was initially granted up to the reporting date. Details of impairment assessment of trade and other receivables are set out in note 30.

29.2 Contract Assets

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

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

30. 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, 2019, the Group had concentration of credit risk as 16.57% (December 31, 2018: 19.47%) 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, 2019 is RMB9,688,000 (December 31, 2018: RMB11,420,000).

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.

30. OVERVIEW OF THE GROUP'S EXPOSURE TO CREDIT RISK (Continued)

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, 2019	At December 31, 2018
Weighted average expected credit loss rate	**100.00%**	100.00%
Total carrying amount (RMB'000)	**4,272**	17,769
Lifetime ECL (RMB'000)	**(4,272)**	(17,769)
	—	—

Strategic type customers

	At December 31, 2019	At December 31, 2018
Weighted average expected credit loss rate	**0.76%**	0.47%
Total carrying amount (RMB'000)	**2,389,690**	1,993,570
Lifetime ECL (RMB'000)	**(18,221)**	(9,422)
	2,371,469	1,984,148

Normal risk type customers

	At December 31, 2019	At December 31, 2018
Weighted average expected credit loss rate	**4.83%**	2.88%
Total carrying amount (RMB'000)	**992,365**	406,770
Lifetime ECL (RMB'000)	**(47,895)**	(11,699)
	944,470	395,071

30. OVERVIEW OF THE GROUP'S EXPOSURE TO CREDIT RISK (Continued)

Carrying amount of trade receivables and amounts due from related parties of trade nature by ECL stages

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**

At December 31, 2018

	Lifetime ECL (not credit impaired) *RMB'000*	Lifetime ECL (credit impaired) *RMB'000*	Total *RMB'000*
Weighted average expected credit loss rate	0.78%	100.00%	1.60%
Total carrying amount (RMB'000)	2,010,471	16,571	2,027,042
Lifetime ECL (RMB'000)	(15,782)	(16,571)	(32,353)
	1,994,689	—	1,994,689

30. OVERVIEW OF THE GROUP'S EXPOSURE TO CREDIT RISK (Continued)

Carrying amount of contract assets by ECL stages

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**

At December 31, 2018

	Lifetime ECL (not credit impaired) *RMB'000*	Lifetime ECL (credit impaired) *RMB'000*	Total *RMB'000*
Weighted average expected credit loss rate	1.37%	100.00%	1.67%
Total carrying amount (RMB'000)	389,869	1,198	391,067
Lifetime ECL (RMB'000)	(5,339)	(1,198)	(6,537)
	384,530	—	384,530

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, 2019 and 2018.

30. OVERVIEW OF THE GROUP'S EXPOSURE TO CREDIT RISK (Continued)

	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 January 1, 2018 — after adjustment	(20,895)	(498)	(56)	—	(21,449)
— Impairment losses (recognized) reversed	6,443	(16,190)	(5,309)	(1,172)	(16,228)
— Transfers	816	(816)	26	(26)	—
— Write-offs	—	951	—	—	951
— Exchange adjustment	(2,146)	(18)	—	—	(2,164)
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)

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

30. OVERVIEW OF THE GROUP'S EXPOSURE TO CREDIT RISK (Continued)

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.

31. FINANCIAL ASSETS AT FVTPL

	31/12/2019 ***RMB'000***	31/12/2018 *RMB'000*
Current assets		
Monetary fund investment	**795,702**	1,019,431
Structured deposits and financial products	**905,936**	1,105,903
	1,701,638	2,125,334

	31/12/2019 ***RMB'000***	31/12/2018 *RMB'000*
Non-current assets		
Listed equity securities	**1,156,949**	940,958
Unlisted equity investments (Note i)	**2,563,112**	883,925
Unlisted fund investments (Note ii)	**289,020**	254,428
	4,009,081	2,079,311

Notes:

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

(ii) The fair values of the unlisted investment funds are based on the net asset values of the investment funds reported to the limited partners by the general partners at the end of the reporting period.

32. BANK BALANCES AND CASH/PLEDGED BANK DEPOSITS

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

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

33. DERIVATIVE FINANCIAL INSTRUMENTS

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

33. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Derivatives under hedge accounting

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

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

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

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

33. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Derivatives under hedge accounting (Continued)

As at December 31, 2019, the aggregate amount of losses after tax under foreign exchange forward contracts accumulated in cash flow hedging reserve relating to the exposure on anticipated future sales transactions denominated in USD of subsidiaries operating in the PRC is RMB17,548,000. It is anticipated that the sales will take place within next 12 months at which time the amount recognised in other comprehensive income will be reclassified to profit or loss.

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

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

33. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Other derivatives (not under hedge accounting)

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

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

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

34. TRADE AND OTHER PAYABLES

	31/12/2019 RMB'000	31/12/2018 RMB'000
Trade payables	**572,507**	379,362
Salary and bonus payables	**758,377**	548,389
Payables for acquisition of plant and equipment	**926,263**	770,516
Payables for acquisition of a property — current portion	**—**	234,808
Payable for acquisition of subsidiaries and a joint venture	**—**	5,000
Accrued expenses	**352,859**	279,244
Other taxes payable	**20,456**	19,589
Interest payable	**5,325**	166
Note payable	**19,090**	19,363
Others	**56,340**	80,142
Considerations received from employees for subscribing restricted A shares of the Company under the 2018 and 2019 WuXi AppTec A Share Incentive Scheme (Note 46)	**681,612**	273,974
	3,392,829	2,610,553

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

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

35. CONTRACT LIABILITIES

	31/12/2019 RMB'000	31/12/2018 RMB'000
Amounts received in advance for delivery of services	**897,140**	681,863

Revenue of RMB540,717,000 was recognised during the year ended December 31, 2019 (December 31, 2018: RMB490,121,000) that was included in the contract liabilities at the beginning of the relevant year.

36. DEFERRED INCOME

	31/12/2019 RMB'000	31/12/2018 RMB'000
Government grants related to property, plant and equipment (Note i)	**658,510**	407,167
Other subsidies (Note ii)	**8,872**	11,676
	667,382	418,843

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.

37. BORROWINGS

	31/12/2019 RMB'000	31/12/2018 RMB'000
Analyzed as:		
Secured and unguaranteed (Note i and Note ii)	**95,000**	15,000
Unsecured and unguaranteed	**2,477,257**	120,000
	2,572,257	135,000

	31/12/2019 RMB'000	31/12/2018 RMB'000
Analyzed as:		
Fixed interest rate	**1,253,000**	—
Variable interest rate	**1,319,257**	135,000
	2,572,257	135,000

	31/12/2019 RMB'000	31/12/2018 RMB'000
Analyzed as:		
Borrowings from banks	**2,557,257**	120,000
Borrowings from other entities (Note ii)	**15,000**	15,000
	2,572,257	135,000

37. BORROWINGS (Continued)

	31/12/2019 RMB'000	31/12/2018 RMB'000
The carrying amounts of the above borrowings are repayable:		
Within one year	**1,809,857**	120,000
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**	15,000
	2,572,257	135,000
Less: Amounts due within one year shown under current liabilities	**1,809,857**	120,000
Amounts shown under non-current liabilities	**762,400**	15,000

The ranges of effective interest rates on the Group's fixed and variable-rate borrowings are as follows:

	31/12/2019	31/12/2018
Effective interest rate:		
Fixed rate borrowings	**3.30% to 3.92%**	N/A
Variable rate borrowings	**3.55% to 6.18%**	4.18% to 6.18%

(i) As of December 31, 2019, bank acceptance issued by one subsidiary of the Group to another subsidiary of the Group were pledged to secure borrowing of RMB80,000,000.

(ii) On January 2018, the Group entered into an entrusted loan agreement with Chengdu Jiulian Investment Co., Ltd. (a non-controlling shareholder who owned 35% equity interest in Chengdu Clinical). As of December 31, 2019 and 2018, 65% equity interests of WuXi Clinical Development Services (Chengdu) Co., Ltd. ("Chengdu Clinical") held by a subsidiary of the Group were pledged to secure borrowings of RMB15,000,000. The loan was extended to Chengdu Clinical for a term of three years with an interest rate equivalent to 130% of the bank loan benchmark interest rate per annum published by the People's Bank of China.

38. LEASE LIABILITIES

	31/12/2019 *RMB'000*
Lease liabilities payable:	
Within one year	142,497
Within a period of more than one year but not more than five years	608,239
Within a period of more than five years	496,450
	—
Less: Amount due for settlement with 12 months shown under current liabilities	(142,497)
Amount due for settlement after 12 months shown under non-current liabilities	1,104,689

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, 2019	774,288

39. OTHER LONG-TERM LIABILITIES

	31/12/2019 *RMB'000*	31/12/2018 *RMB'000*
Payable for acquisition of a subsidiary (Note i)	147,221	—
Deferred rent	—	43,130
Deferred lease credit	—	11,053
Long-term tax payable (Note ii)	84,565	126,366
Others	26	13,774
	231,812	194,323

Notes:

i. In November 2019, the Group acquired a subsidiary at a cash consideration of RMB803,838,000 as detailed in Note 45. 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.

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.

40. CONVERTIBLE BONDS

On September 17, 2019 (the "Issue Date"), the Company issued a five-year zero coupon convertible bonds (the "Convertible Bonds") overseas in an aggregate principal amount of USD300,000,000. The conversion period is on or after October 28, 2019 up to the close of business on the date falling 10 working days prior to September 17, 2024 (the "Maturity Date") and the price of H shares to be issued in exercise of the right of conversion is initially HK$111.8 per H share and the conversion price of Convertible Bonds would be adjusted accordingly when the Company distributes stock dividends, issues new shares or places new shares, distributes cash dividend.

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 amounting to USD271,350,000 (equivalent to RMB1,919,259,000). It is subsequently measured at amortised cost using the effective interest method after considering the effect of the 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 amounting to USD28,650,000 (equivalent to RMB202,641,000).

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

The total transaction costs relating to the derivative component were charged to profit or loss in this year. 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.

40. CONVERTIBLE BONDS (Continued)

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

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

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

41. FINANCIAL LIABILITIES AT FVTPL

	At December 31, 2019 RMB'000	At December 31, 2018 RMB'000
Current liability		
Contingent consideration	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. The contingent consideration was measured at fair value based on a valuation report issued by ValueLink Management Consultants Limited.

42. SHARE CAPITAL/TREASURY SHARES

Share Capital

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

Note:

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

Treasury Shares

	RMB'000
At January 1, 2018	—
Issue of restricted A shares under the 2018 WuXi AppTec A Share Incentive Scheme	285,989
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	**705,817**

43. 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, non-trade nature amounts due to related parties and 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.

44. FINANCIAL INSTRUMENTS

Categories of financial instruments

	31/12/2019 ***RMB'000***	31/12/2018 *RMB'000*
Financial assets		
Financial assets at FVTPL	**5,747,474**	4,241,699
Financial assets at amortized cost	**8,203,690**	7,835,371
	13,951,164	12,077,070
Financial liabilities		
Financial liabilities at FVTPL	**428,619**	-153,292
Financial liabilities measured at amortized cost	**8,425,525**	1,910,345
	8,854,144	2,063,637

Financial risk management objectives and policies

The Group's major financial assets and liabilities include financial assets at FVTPL, trade and other receivables, amount due from related parties, pledged bank deposits, bank balances and cash, 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.

44. FINANCIAL INSTRUMENTS (Continued)

Market risk

The Group's activities expose it primarily to currency risk, interest rate risk, liquidity 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 33).

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:

	31/12/2019 ***RMB'000***	31/12/2018 *RMB'000*
Assets		
USD	**3,429,326**	3,717,665
HKD	**279**	925,605
Liabilities		
USD	**1,928,584**	16,472
HKD	**351,758**	77
Inter-company balances		
USD	**4,461,606**	1,674,596
HKD	**1**	140

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.

44. FINANCIAL INSTRUMENTS (Continued)

Sensitivity analysis (Continued)

	Year ended 31/12/2019 ***RMB'000***	Year ended 31/12/2018 *RMB'000*
Impact on profit or loss		
USD	**157,705**	160,757
HKD	**(16,162)**	33,246

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.

Forward foreign exchange contracts

In addition, the Group has elected hedge accounting for certain foreign exchange forward contracts as set out in Note 33 during 2019. As at December 31, 2019, the Group has assessed the hedge effectiveness and concluded that all 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 fair value change of the hedging instruments is recorded in other comprehensive income for the year ended December 31, 2019. For certain foreign exchange forward contracts that the Group has elected not to adopt hedge accounting. As at December 31, 2019, the fair value change of those hedging instruments are amounted to RMB21,577,000 (December 31, 2018：RMB16,508,000). The Group has assessed that the exposure of 5% foreign exchange rate changes on those hedging instruments not under hedge accounting is insignificant.

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.

The variable rate borrowings are RMB1,319,257,000 at the year ended December 31, 2019 (December 31, 2018: RMB135,000,000). 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 RMB5,339,000 for the year ended December 31, 2019 (2018: RMB291,000).

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

44. FINANCIAL INSTRUMENTS (Continued)

Sensitivity analysis (Continued)

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, 2019 would increase/decrease by RMB200,454,000 (2018: RMB103,966,000), as a result of the changes in fair value of financial assets at FVTPL.

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:

	31/12/2019 RMB'000
Higher by 5%	(42,066)
Lower by 5%	45,771

(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:

	31/12/2019 RMB'000
Higher by 5%	(57,833)
Lower by 5%	58,656

44. FINANCIAL INSTRUMENTS (Continued)

Sensitivity analysis (Continued)

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.

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, 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**
As at December 31, 2018						
Trade and other payables	N/A	1,528,523	—	—	1,528,523	1,528,523
Amounts due to related parties	N/A	4,806	7,209	—	12,015	12,015
Consideration payable on purchase of a property	4.75	245,961	—	—	245,961	234,808
Borrowings						
— Fixed interest rate	N/A	—	—	—	—	—
— Variable interest rate	4.41	122,299	16,839	—	139,138	135,000
Total		1,901,588	24,048	—	1,925,636	1,910,345

44. 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 and liabilities	Fair value at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	12/31/2019 *RMB'000*	12/31/2018 *RMB'000*				
Money fund Investment	**795,702**	1,019,431	Level 2	Discounted cash flow — Future cash flows are estimated based on expected return, discounted at a rate that reflects the risk of underlying assets	N/A	N/A
Structured deposits and financial products	**905,936**	1,105,903	Level 2	Discounted cash flow — Future cash flows are estimated based on expected return, discounted at a rate that reflects the risk of underlying assets	N/A	N/A
Listed investment companies	**1,156,949**	940,958	Level 1	Active market quoted transaction price	N/A	N/A
Investment on unlisted funds	**289,020**	254,428	Level 3	Net asset value of underlying investments	Net asset value	The higher net asset value, the higher the fair value (Note a)
Unlisted equity investments	**2,563,112**	611,866	Level 3	Backsolve from recent transaction price	Probability of IPO, redemption and liquidation	N/A
					Expected volatility	The higher expected volatility, the higher the fair value
					Risk-free rate	The lower risk-free rate the higher the fair value

44. 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 and liabilities	Fair value at 12/31/2019 RMB'000	Fair value at 12/31/2018 RMB'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Unlisted equity investments	–	272,059	Level 3	Comparable company method	The ratio of equity value/net profit The ratio of equity value/EBIT	The higher the ratio, the higher the fair value The higher the ratio, the higher the fair value
Foreign currency forward contracts	**36,755**	36,698	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
Collars	–	356	Level 3	Option pricing model with forward exchange rates and expected volatility as key inputs	Expected volatility	The higher the expected volatility, the higher the fair value
Foreign currency forward contracts	**86,378**	130,190	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
Collars	–	23,102	Level 3	Option pricing model with forward exchange rates and expected volatility as key inputs	Expected volatility	The higher the expected volatility, the higher the fair value

44. 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 and liabilities	Fair value at 12/31/2019 RMB'000	Fair value at 12/31/2018 RMB'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Contingent consideration	**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
					Discount rate	The lower discount rate, the higher the fair value
Convertible bonds — embedded derivative component	**298,013**	—	Level 3	Binominal option pricing with the expected volatilities and risk-free rate 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.

Notes:

(a) 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 RMB14,451,000 (December 31, 2018: RMB12,721,000) or decrease the fair value of the unlisted funds by RMB14,451,000 (December 31, 2018: RMB12,721,000) as at December 31, 2019.

44. 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, 2018	198,181
Acquisitions	63,012
Changes in fair value	(11,648)
Effect of exchange rate change	4,883
At December 31, 2018	**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**

44. FINANCIAL INSTRUMENTS (Continued)

Fair value measurement (Continued)

(ii) Reconciliation of level 3 fair value measurements (Continued)

	Unlisted equity investments *RMB'000*
At January 1, 2018 at cost	456,144
IFRS 9 adoption adjustment	191,180
At January 1, 2018 at fair value	647,324
Transferred to level 1	(258,715)
Changes in fair value	516,735
Acquisition	37,255
Disposal	(79,846)
Effect of exchange rate change	21,172
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 December 31, 2019	**2,563,112**

	Collars *RMB'000*
At January 1, 2018	**—**
Changes in fair value	**(22,746)**
At January 1, 2019	**(22,746)**
Disposal	**49,805**
Effect of exchange rate change	**(27,059)**
At December 31, 2019	**—**

44. FINANCIAL INSTRUMENTS (Continued)

Fair value measurement (Continued)

(ii) Reconciliation of level 3 fair value measurements (Continued)

	Convertible bonds — embedded derivative component *RMB'000*
At January 1, 2019	—
Issue	202,641
Changes in fair value	98,145
Effect of exchange rate change	(2,773)
At December 31, 2019	298,013

Note: Jinxin Fertility Group Limited was listed on June 25, 2019 on the Hong Kong Stock Exchange, and its open market transaction price can be obtained from the active market. Therefore, the Group changed its 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 2019, RMB233,427,000(2018: RMB513,953,000) was unrealized fair value gains related to financial assets at FVTPL on Level 3 fair value measurement held at December 31, 2019.

(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.

45. ACQUISITION OF SUBSIDIARIES

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

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 assets	1,051
Other intangible assets	73,012
Other non-current assets	44
Trade and other payables	(1,721)
Rental liabilities	(1,379)
Deferred tax liabilities	(74,656)
Net assets acquired	697,539

45. ACQUISITION OF SUBSIDIARIES (Continued)

For the year ended December 31, 2019 (Continued)

Suzhou Kanglu (Continued)

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.

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 are 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 approximate 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 certain other intangible assets, biological 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.

Biological assets mainly include cynomolgus monkeys for experiment and breeding. The fair value of cynomolgus monkeys is 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 include patent. The fair value of patent is valued using the excess income discounting method. The present value of future cash flows of patent is determined based on the expected return rate attributed to the patent. The expected long-term revenue growth rate is 1% and the discount rate is 16%. The fair value of the intangible assets will decrease if the actual long-term revenue growth rate is lower than 1% or the discount rate is higher than 16%.

Goodwill arising on this acquisition is not expected to be deductible for tax purposes.

45. ACQUISITION OF SUBSIDIARIES (Continued)

For the year ended December 31, 2019 (Continued)

Suzhou Kanglu (Continued)

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.

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.

45. ACQUISITION OF SUBSIDIARIES (Continued)

For the year ended December 31, 2019 (Continued)

Pharmapace, Inc. (Continued)

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

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

45. ACQUISITION OF SUBSIDIARIES (Continued)

For the year ended December 31, 2019 (Continued)

Pharmapace, Inc. (Continued)

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

45. 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 are not expected to be collected at acquisition date. The directors of the Company consider that the carrying amount of assets and liabilities of Pharmapace, Inc approximate to their fair values at the date of acquisition except those of certain other intangible assets. The fair value hierarchy of valuation of certain other intangible assets at the date of acquisition was level 3 and the fair value was to reference to valuation report issued by ValueLink Management Consultants Limited.

Intangible assets mainly include customer relationship, patent and backlog. The fair value of customer relationship is valued using the excess income discount method. The present value of future cash flows of patent is 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 is 2% and the weighted average cost of capital is 14.5%. The fair value of the intangible assets will decrease if the actual long-term revenue growth rate is lower than 2% or the weighted average cost of capital is higher than 14.5%.

The fair value of patent is valued using the license fee saving method. The fair value of the patent was determined by discounting forecasted saving in the license fee during the life of the patent assuming the Group owns the patent. The expected long-term revenue growth rate is 2%, the license rate is 3.5%, and the weighted average cost of capital is 15%. The fair value of the intangible assets will decrease if the actual long-term revenue growth rate is lower than 2% or the license rate if lower than 3.5% or the weighted average cost of capital is higher than 14.5%.

The fair value of backlog is valued using the excess income discount method. The present value of future cash flows of backlog is 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 will decrease if the weighted average cost of capital is higher than 14.5%.

45. 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 amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Pharmapace, Inc.. These benefits are not recognised separately from goodwill because they do 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 inflow 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. ACQUISITION OF SUBSIDIARIES (Continued)

For the year ended December 31, 2018

WuXi Clinical

On July 31, 2018, WuXi AppTec UK Ltd., a subsidiary of the Company entered into an agreement to acquire the remaining 50% equity interest of a joint venture, WuXi Clinical Development, Inc. ("WuXi Clinical", formerly known as Cycle Solutions, Inc.) for a cash consideration of USD17,227,000 (equivalent to RMB117,434,000).

Name of subsidiary acquired	Vendor	Percentage of interest acquired	Principal activity	Fair value of purchase consideration RMB'000	Date of completion	Nature of acquisition
WuXi Clinical	A joint venture partner	50%	Render of clinical development services	117,434	July 31, 2018	Business combination

Assets acquired and liabilities assumed at the date of acquisition

	Amount *RMB'000*
Bank balances and cash	23,789
Trade and other receivables	12,022
Property, plant and equipment	2,234
Other intangible assets	62,038
Trade and other payables	(15,242)
Contract liabilities	(8,137)
Income tax payables	(389)
Deferred tax liabilities	(16,748)
Net assets acquired	59,567

The fair value of trade and other receivables at the date of acquisition amounted to RMB12,022,000. The gross contractual amounts of those receivables acquired amounted to RMB12,022,000 at the date of acquisition. None of the contractual cash flows are not expected to be collected at acquisition date.

45. ACQUISITION OF SUBSIDIARIES (Continued)

For the year ended December 31, 2018 (Continued)

WuXi Clinical (Continued)

Fair value of consideration transferred

	Amount *RMB'000*
Cash	117,434

Goodwill arising on acquisition

	Amount *RMB'000*
Fair value of consideration transferred, satisfied by cash	117,434
Previously held interest in a joint venture before the acquisition	117,572
Less: Net assets acquired	(59,567)
Goodwill arising on acquisition	175,439

The acquisition is to enhance clinical development capabilities of the Group in the U.S. market. These assets are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

Intangible assets mainly include customer relationship and trademark. The fair value of customer relationship is valued using the excess income discount method. The present value of future cash flows of patent is 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 is 3% and the weighted average cost of capital is 17%. The fair value of the intangible assets will decrease if the actual long-term revenue growth rate is lower than 3% or the weighted average cost of capital is higher than 17%.

The fair value of trademark is valued using the license fee saving method. Through estimating the license fee that can be saved if the patent assignee owns the patent, the fair value of the trademark was determined by discounting the license fee expected to saved annually during the life of the patent. The expected long-term revenue growth rate is 3%, the license rate is 1%, and the weighted average cost of capital is 17%. The fair value of the intangible assets will decrease if the actual long-term revenue growth rate is lower than 1% or the license rate if lower than 3% or the weighted average cost of capital is higher than 17%.

Goodwill arising on this acquisition is not expected to be deductible for tax purposes.

45. ACQUISITION OF SUBSIDIARIES (Continued)

For the year ended December 31, 2018 (Continued)

WuXi Clinical (Continued)

Net cash inflow on acquisition of subsidiaries

	Amount *RMB'000*
Consideration transferred	117,434
Less: those included in deposits for acquisition	(117,434)
Cash consideration paid	—
Less: Bank balances and cash acquired	(23,789)
	(23,789)

No material acquisition related costs were incurred.

WuXi Clinical contributed revenue of RMB49,522,000 and loss of RMB3,942,000 for the period from the date of acquisition to December 31, 2018. If the acquisition had been completed on January 1, 2018, total revenue of the Group for the year ended December 31, 2018 would have been RMB9,685,902,000 and profit for the year ended December 31, 2018 would have been RMB2,332,245,000. 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, 2018, nor is it intended to be a projection of future results.

46. SHARE OPTION SCHEME

WuXi PharmaTech Stock Units and Options Plan

Prior to the reorganization, 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.

The Group recognised share-based compensation expense of RMB1,721,000 during the year ended December 31, 2019 (2018: RMB2,713,000), in relation to WuXi PharmaTech Stock Units and Options Plan.

46. SHARE OPTION SCHEME (Continued)

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
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.

46. SHARE OPTION SCHEME (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 1/1/2019	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

STA Share Unites and Options Incentive Scheme	Outstanding at 1/1/2018	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 12/31/2018
STA Share Option Incentive Scheme (2015)	12,516,000	—	3,129,000	270,000	9,117,000
STA Overseas Employees Incentive Scheme	5,028,792	—	1,197,198	—	3,831,594
STA Share Option Incentive Scheme (2016) — 1st batch	670,500	—	105,300	174,240	390,960
STA Share Option Incentive Scheme (2016) — 2nd batch	597,300	—	—	120,840	476,460
Total	18,812,592	—	4,431,498	565,080	13,816,014
Exercisable at the end of the year	4,332,198				—
Weighted average exercise price	RMB6.34	N/A	RMB6.32	RMB8.00	RMB6.28

46. SHARE OPTION SCHEME (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 Overseas Employees Incentive Scheme – 2nd batch	STA Share Incentive Option Scheme (2015)	STA Overseas Employees Incentive Scheme – 1st 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)	37.78-41.90	2.11-3.35	6.98	15.74-16.03	36.39-43.30
Grant date STA Shares price (RMB)	48.09-49.94	7.74	7.74	22.53	43.48
Exercise price (RMB)	1.79	8.00	1.79	8.00	8.00
Expected volatility	24.60%–29.75%	33.48%–36.77%	42.07%	32.53%–35.30%	29.90%–34.40%
Expected life (years)	10	3-6	10	3-6	3-6
Risk-free interest rate	1.58%–1.82%	3.08-3.67%	3.67%	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 RMB16,496,000 during the year ended December 31, 2019 (2018: RMB21,726,000), 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.

46. SHARE OPTION SCHEME (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 1/1/2019	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	N/A	RMB8.00	RMB8.00

46. SHARE OPTION SCHEME (Continued)

STA Share Appreciation Incentive Scheme (Continued)

STA Share Appreciation Incentive Scheme	Outstanding at 1/1/2018	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 12/31/2018
STA Share Appreciation Incentive Scheme (2016)					
— 1st batch	720,000	—	144,000	21,600	554,400
— 2nd batch	279,000	—	—	30,000	249,000
STA Share Appreciation Incentive Scheme (2017)	99,000	—	—	12,000	87,000
Total	1,098,000	—	144,000	63,600	890,400
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, 2018	**December 31, 2019**
STA Share price (RMB)	39.50	**49.9**
Exercise price (RMB)	8.00	**8.00**
Expected volatility	27.10%–31.10%	**22.67%–29.32%**
Expected life (years)	0.39~3.39	**0.39~2.39**
Risk-free interest rate	2.50-2.70%	**1.58-1.59%**

STA Share Appreciation Incentive Scheme (2016) — 2nd batch and STA Appreciation Incentive Scheme (2017)	December 31, 2018	**December 31, 2019**
STA Share price (RMB)	39.50	**49.9**
Exercise price (RMB)	8.00	**8.00**
Expected volatility	26.50%–29.50%	**24.60%–28.96%**
Expected life (years)	1.54~4.54	**0.54~3.54**
Risk-free interest rate	2.70-2.70%	**1.58-1.63%**

The Group recognised share-based compensation expense of RMB7,179,000 during the year ended 2019 (2018: RMB6,422,000) in relation to STA Scheme Appreciation Incentive Scheme.

46. SHARE OPTION SCHEME (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 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
Employees	October 31, 2018	6,190,330	RMB45.53

Set out below are details of the movements of the outstanding units granted under the 2018 WuXi AppTec A Share Incentive Scheme — First Batch Restricted Shares throughout the reporting period:

	Outstanding at 1/1/2019	Granted during the year	Exercised during the year	Forfeited before capitalisation issue	Capitalisation issue	Forfeited after capitalisation issue	Outstanding at 12/31/2019
2018 WuXi AppTec A Share Incentive Scheme — First Batch							
Restricted Shares	6,281,330	—	—	128,245	2,461,234	340,119	8,274,200
Total	6,281,330	—	—	128,245	2,461,234	340,119	8,274,200

46. SHARE OPTION SCHEME (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, 2019, the Group has recorded share-based expenses of RMB114,096,000 (2018: RMB20,145,000) 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.

46. SHARE OPTION SCHEME (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

For the year ended December 31, 2019, no share has been exercised or forfeited since granted.

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%

For the year ended December 31 2019, the Group has recorded share-based expenses of RMB2,459,000 in relation to 2018 WuXi AppTec A Share Incentive Scheme — Second Batch Restricted Shares.

46. SHARE OPTION SCHEME (Continued)

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.

(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.

For the year ended December 31, 2019, no share has been exercised or forfeited since granted.

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, 2019, the Group has recorded share-based expenses of RMB1,844,000 in relation to 2018 WuXi AppTec A Share Options Incentive Scheme — Reserved Options.

46. SHARE OPTION SCHEME (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 RMB419,863,000 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
Employees	December 4, 2019	12,817,744	RMB32.44

For the year ended December 31, 2019, no share has been exercised or forfeited since granted.

46. SHARE OPTION SCHEME (Continued)

2019 WuXi AppTec A Share Incentive Scheme — Restricted Shares (Continued)

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:

	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%**

For the year ended December 31, 2019, the Group has recorded share-based expenses of RMB31,757,000 in relation to 2019 WuXi AppTec A Share Incentive Scheme — Restricted Shares.

46. SHARE OPTION SCHEME (Continued)

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").

(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	RMB64.88

(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.

For the year ended December 31, 2019, no share has been exercised or forfeited since granted.

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, 2019, the Group has recorded share-based expenses of RMB5,200,000 in relation to 2019 WuXi AppTec A Share Options Incentive Scheme — Stock Option.

46. SHARE OPTION SCHEME (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.

(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.

For the year ended December 31, 2019, no unit has been exercised or forfeited since granted.

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, 2019
H Share price (HKD)	**96.65**
Subscribe price (HKD)	**72.00**
Expected volatility in the black-out period	**40.16%–47.24%**
Expected life (years)	**0.92-2.92**
Risk-free interest rate	**2.41%–2.66%**
Dividend yield rate	**0.95%**

For the year ended December 31, 2019, the Group has recorded share-based expenses of RMB14,501,000 in relation to 2019 WuXi AppTec H Share Appreciation Incentive Scheme.

47. 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, 2018	—	—	—	574,030	—	—	251,785	1,618,189	2,395	2,446,399
Financing cash flows	(19,205)	(36,850)	—	(574,030)	—	285,989	(28,265)	(1,518,054)	(83,348)	(1,973,763)
Non-cash changes										
— Accrued interest expense	—	—	—	—	—	—	11,288	—	81,119	92,407
— Dividends declared	19,205	—	—	—	—	—	—	—	—	19,205
— Deferred issue costs	—	76,386	—	—	—	—	—	—	—	76,386
— Foreign exchange effects	—	—	—	—	—	—	—	34,865	—	34,865
At December 31, 2018	—	39,536	—	—	—	285,989	234,808	135,000	166	695,499
Application of IFRS 16	—	—	—	—	790,978	—	—	—	—	790,978
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**	**—**	**45,681**	**—**	**5,447**	**—**	**56,996**	**128,019**
— 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)**	**—**	**14,074**	**—**	**—**	**6,321**	**—**	**(8,236)**
At December 31, 2019	**—**	**—**	**2,172,928**	**—**	**1,247,186**	**705,817**	**—**	**2,572,257**	**5,325**	**6,703,513**

48. OPERATING LEASES

The Group as lessee

The Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	31/12/2018 *RMB'000*
Within one year	189,428
In the second to fifth year inclusive	537,897
Over five years	532,731
	1,260,056

Operating lease payments represent rental payables by the Group for certain of its office premises, factories and laboratories.

49. CAPITAL COMMITMENTS

The Group had capital commitments under non-cancellable contracts as follows:

	31/12/2019 ***RMB'000***	31/12/2018 *RMB'000*
Commitments for the acquisition of property, plant and equipment	**748,328**	342,586
Commitments for the investments in associates and joint ventures	**34,881**	118,390
	783,209	460,976

50. 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 RMB395,337,000 for the year ended December 31, 2019 (2018: RMB287,838,000).

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 USD19,000 for the years ended December 31, 2019.

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 USD4,459,000, equivalent to RMB30,754,000 (2018: USD3,147,000, equivalent to RMB21,668,000) for the years ended December 31, 2019.

51. CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at December 31, 2019 (December 31, 2018: nil).

52. 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.

52. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(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
PhageLux Inc.	Associate
WuXi Biologics USA, LLC	Fellow subsidiary
WuXi Diagnostic Investment (Cayman) Limited (“WuXi Diagnostic”)	Fellow subsidiary
Wuxi Diagnostic USA, LLC	Fellow subsidiary
WuXi NextCode Genomics USA, Inc.	Fellow subsidiary
WuXi NextCode Genomics (Shanghai) Co., Ltd.	Fellow subsidiary
WuXi Diagnostics Management (Shanghai) Co., Ltd	Fellow subsidiary
Shanghai Waigaoqiao WuXi AppTec Incubator Management Co., Ltd.	Joint venture
Faxian Therapeutics, LLC	Joint venture
WuXi MedImmune and its subsidiary	Joint venture
JW (Cayman) and its subsidiaries	Associate
Jing Medicine Technology (Shanghai) Ltd.	Associate
WuXi Biologics (Shanghai) Co., Ltd.	Fellow subsidiary
WuXi AppTec (Suzhou) Testing Technology Co., Ltd.	Fellow subsidiary
WuXi Biologics Conjugation Co., Ltd.	Fellow subsidiary
WuXi AppTec Biopharmaceuticals Co., Ltd.	Fellow subsidiary
WuXi HealthNet (Shanghai) Co., Ltd.	Fellow subsidiary
Bestchrom (Shanghai) Biosciences Co. Ltd.	Fellow subsidiary
WuXi Diagnostic Lab (Shanghai) Co., Ltd.	Fellow subsidiary
WuXi AppTec ZK (Suzhou) Bioscience Ltd	Fellow subsidiary
Hua Medicine and its subsidiaries (Note a)	Entities significantly influenced by a Controlling Shareholder
Edward Hu, Harry Liang He, Minzhang Chen, Xiangli Liu	Key management personnels
Ge Li, Liu Xiaozhong, Zhaohui Zhang	Ultimate controlling shareholders

Notes:

(a) Hua Medicine and its subsidiaries were considered as related parties of the Company prior to December 31, 2018. After then, the Company evaluated that Hua Medicine and its subsidiaries were no longer related parties.

52. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(2) Related party transactions:

(a) Provision of research and development service

	Year ended 31/12/2019 *RMB'000*	Year ended 31/12/2018 *RMB'000*
Associates	**7,824**	4,994
Joint ventures	**21,849**	6,825
Entities significantly influenced by a Controlling shareholder	**—**	39,142
Fellow subsidiaries	**17,363**	8,998
	47,036	59,959

(b) Research and development service received

	Year ended 31/12/2019 *RMB'000*	Year ended 31/12/2018 *RMB'000*
Fellow subsidiaries	**2,406**	—

(c) Provision of administrative service

	Year ended 31/12/2019 *RMB'000*	Year ended 31/12/2018 *RMB'000*
Associates	**3,832**	—
Joint ventures	**16**	4,551
Fellow subsidiaries	**2,443**	259
	6,291	4,810

52. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(2) Related party transactions: (Continued)

(d) *Sales of raw materials*

	Year ended 31/12/2019 RMB'000	Year ended 31/12/2018 RMB'000
An associate	1,156	171

(e) *Provision of premises sub-leasing services*

	Year ended 31/12/2019 RMB'000	Year ended 31/12/2018 RMB'000
A fellow subsidiary	4,384	1,431

(f) *Sequencing service received*

	Year ended 31/12/2019 RMB'000	Year ended 31/12/2018 RMB'000
Fellow subsidiaries	8,678	—

(g) *Sales of property and equipment*

	Year ended 31/12/2019 RMB'000	Year ended 31/12/2018 RMB'000
Fellow Subsidiaries	145	—

52. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(2) Related party transactions: (Continued)

(h) Purchase of property and equipment

	Year ended 31/12/2019 RMB'000	Year ended 31/12/2018 RMB'000
Fellow subsidiaries	115	—

(i) Sales of other intangible assets

	Year ended 31/12/2019 RMB'000	Year ended 31/12/2018 RMB'000
A fellow subsidiary	—	80

(j) Rental expenses

	Year ended 31/12/2019 RMB'000	Year ended 31/12/2018 RMB'000
A joint venture	—	348

(k) Purchase of raw materials

	Year ended 31/12/2019 RMB'000	Year ended 31/12/2018 RMB'000
A fellow subsidiary	796	—

52. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(2) Related party transactions: (Continued)

(l) Interest expenses on lease liabilities

	Year ended 31/12/2019 RMB'000	Year ended 31/12/2018 RMB'000
A fellow subsidiary	**42**	—

(m) Depreciation charge on right-of-use assets

	Year ended 31/12/2019 RMB'000	Year ended 31/12/2018 RMB'000
A fellow subsidiary	**293**	—

(n) Equity transactions

On July 2, 2019, the Company signed agreements with Ge Li, Edward Hu, Harry Liang He, Minzhang Chen and Xiangli Liu to acquire 5,722,802 STA shares held by them at a consideration of RMB274,694,000.

On October 18, 2019, the Company signed an agreement with WuXi Diagnostic Investment (Cayman) Limited to acquire 17,059,024 shares newly issued by WuXi Diagnostic Investment (Cayman) Limited at a consideration of USD11,000,000. After this transaction, the Company owned 6.1% shares of WuXi Diagnostic which was accounted for as a financial asset at FVTPL.

52. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(3) Related party balances

AMOUNTS DUE FROM RELATED PARTIES

	31/12/2019	31/12/2018
	RMB'000	*RMB'000*
Trade receivables		
Associates	**2,302**	1,903
Joint ventures	**165**	623
Fellow subsidiaries	**7,221**	8,894
	9,688	11,420
Non-trade related		
Other receivables		
Fellow subsidiaries	**639**	—
An associate	**3,015**	2,462
Other receivables	**3,654**	2,462
Other non-current asset	**174**	—
Total amounts due from related parties	**13,516**	13,882

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:

	31/12/2019	31/12/2018
	RMB'000	*RMB'000*
Within 90 days	**9,688**	11,420

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.

52. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(3) Related party balances (Continued)

AMOUNTS DUE TO RELATED PARTIES

	31/12/2019 RMB'000	31/12/2018 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 46)	**24,205**	12,015
Trade payables		
Fellow subsidiaries	**591**	—
	591	—
	24,796	12,015

As at December 31, 2019, included in the contract liabilities of the Group is RMB10,437,000 (December 31, 2018: RMB2,568,000) received from associates of the Group in advance of delivery of services.

As at December 31, 2019, included in the lease liabilities of the Group is RMB1,873,000 due to a fellow subsidiary of the Group.

(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 31/12/2019 RMB'000	Year ended 31/12/2018 RMB'000
Director Fee	**1,000**	810
Salaries and other benefits	**29,904**	26,460
Performance-based bonus	**22,053**	17,687
Share-based compensation	**7,618**	925
	60,575	45,882

The remuneration of key management is determined with reference to the performance of the individuals and market trends.

53. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

53.1 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, 2019 Direct	December 31, 2019 Indirect	December 31, 2018 Direct	December 31, 2018 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%	—	100%	—	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	—	97.79%	—	86.58%	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	—	97.79%	—	86.58%	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	—	97.79%	—	86.58%	Process development, improvement and production services for small molecule drugs
STA Pharmaceutical Hong Kong Limited (合全藥業香港有限公司) ("STAHK")	Hong Kong of PRC/ (the "HK") April 12, 2011	N/A	HK$10,000	—	97.79%	—	86.58%	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 (HongKong) 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%	—	—	—	Holding Company

53. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

53.1 General information of subsidiaries (Continued)

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.

53.2 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	
		31/12/2019	31/12/2018	**31/12/2019**	31/12/2018	**31/12/2019**	31/12/2018
				RMB'000	*RMB'000*	***RMB'000***	RMB'000
STA Group	PRC	**97.79%**	86.58%	**58,484**	77,003	**98,776**	476,733
Individually immaterial subsidiaries with non-controlling interests				**(1,626)**	(3,845)	**(1,321)**	477
Total				**56,858**	73,158	**97,455**	477,210

Summarized financial information in respect of STA Group is set out below. The summarized information below represents amounts before intragroup eliminations.

53. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

53.2 Details of non-wholly subsidiaries that have material non-controlling interests (Continued)

STA Group

	31/12/2019 *RMB'000*	31/12/2018 *RMB'000*
Current assets	**2,782,977**	2,269,729
Non-current assets	**3,560,354**	2,541,180
Current liabilities	**1,459,771**	1,156,226
Non-current liabilities	**423,827**	102,308
Equity attributable to owners of the Company	**4,360,957**	3,075,642
Non-controlling interests	**98,776**	476,733

	Year ended 31/12/2019 *RMB'000*	Year ended 31/12/2018 *RMB'000*
Revenue	**3,761,264**	2,705,885
Expenses	**(2,908,011)**	(2,103,547)
Profit attributable to owners of the Company	**794,769**	525,335
Profit attributable to the non-controlling interests of STA Group	**58,484**	77,003
Profit for the year	**853,253**	602,338
Other comprehensive income (expense) attributable to owners of the Company	**7,530**	(40,419)
Other comprehensive income (expense) attributable to the non-controlling interests of STA Group	**8,871**	(5,984)
Other comprehensive income (expense) for the year	**16,401**	(46,403)

53. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

53.2 Details of non-wholly subsidiaries that have material non-controlling interests (Continued)

STA Group (Continued)

	Year ended 31/12/2019 *RMB'000*	Year ended 31/12/2018 *RMB'000*
Total comprehensive income attributable to owners of the Company	**802,299**	484,916
Total comprehensive income attributable to the non-controlling interests	**67,355**	71,019
Total comprehensive income for the year	**869,654**	555,935
Dividends paid to non-controlling interests of STA Group	**—**	(19,205)
Net cash inflow from operating activities	**921,443**	674,945
Net cash (outflow) inflow from investing activities	**(1,166,410)**	(810,748)
Net cash outflow from financing activities	**103,215**	(379,946)
Net cash (outflow) inflow	**(141,752)**	(515,749)

53. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

(Continued)

53.3 Change in ownership interest in subsidiaries

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 46), 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 46), 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 46), 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.

For the year ended December 31, 2018

In February 2018, STA acquired 100% equity interests in WuXi STA Pharmaceutical Co., Ltd (無錫合全藥業有限公司) formerly known as Jiangsu Xinfu Pharmaceutical Co., Ltd. (江蘇信孚藥業有限公司) and WuXi AppTec Pharmaceutical Co., Ltd. (無錫藥明康德藥業有限公司) ("Xin Fu") from WXAT Shanghai, parent company of STA, for a cash consideration of RMB58,649,000 to integrate resources for the CMO/CDMO services. This reorganization adjusted down the Group's equity interest in STA by RMB2,353,000 and increased corresponding non-controlling interests by RMB2,353,000 to reflect the changes in their relative interests in STA.

In June 2018, totalling 1,197,000 ordinary STA Shares were exercised under the STA Overseas Employees Incentive Scheme (details set out in Note 46), which diluted the Company's indirect equity interest in STA from 87.50% to 87.22%.

In September 2018, totalling 3,234,000 ordinary STA Shares were vested under the STA Share Option Incentive Scheme (details set out in Note 46), which diluted the Company's indirect equity interest in STA from 87.22% to 86.58%.

54. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	31/12/2019 RMB'000	31/12/2018 RMB'000
Non-current Assets		
Interests in subsidiaries	**8,884,910**	6,006,474
Prepaid lease payments	**—**	88,690
Right-of-use assets (Note)	**90,885**	—
Property, plant and equipment	**1,440**	—
	8,977,235	6,095,164
Current Assets		
Amounts due from subsidiaries	**3,446,512**	2,203,028
Prepaid lease payments	**—**	1,810
Trade and other receivables	**12,066**	10,820
Income tax recoverable	**—**	1,959
Financial assets at FVTPL	**451,622**	570,724
Bank balances and cash	**3,414,206**	4,472,838
	7,324,406	7,261,179
Current Liabilities		
Amounts due to subsidiaries	**24,554**	24,763
Amounts due to related parties	**24,205**	12,015
Trade and other payables	**708,950**	332,482
Income tax payables	**10,647**	—
	768,356	369,260
Net Current Assets	**6,556,050**	6,891,919
Total Assets Less Current Liabilities	**15,533,285**	12,987,083

54. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (Continued)

	31/12/2019 RMB'000	31/12/2018 RMB'000
Non-current Liabilities		
Convertible bonds — debt component	**1,874,915**	—
Convertible bonds — embedded derivative component	**298,013**	—
	2,172,928	—
Net Assets	**13,360,357**	12,987,083
Capital and Reserves		
Share capital	**1,651,127**	1,164,741
Reserves	**11,709,230**	11,822,342
Total Equity	**13,360,357**	12,987,083

Note: Upon application of IFRS 16, the land use right in the PRC amounting to RMB90,884,625 was reclassified to right-of-use assets.

54. 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, 2018	2,311,996	—	21,296	(8)	—	177,124	2,510,408
Profit and total comprehensive income for the year	—	—	—	—	—	664,130	664,130
Issue of A Shares upon Listing on Shanghai Stock Exchange	2,146,490	—	—	—	—	—	2,146,490
Issue of H Shares upon listing on The Hong Kong Stock Exchange	6,853,104	—	—	—	—	—	6,853,104
Issue of restricted A Shares (Note 46)	279,708	(285,989)	—	—	—	—	(6,281)
Transferred to statutory reserve	—	—	66,413	—	—	(66,413)	—
Transaction costs attributable to issue of new shares	(365,654)	—	—	—	—	—	(365,654)
Equity-settled share-based payment	—	—	—	—	20,145	—	20,145
At December 31, 2018	11,225,644	(285,989)	87,709	(8)	20,145	774,841	11,822,342

54. 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	—	—	—	—	—	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 46)	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

55. SUBSEQUENT EVENTS

The Group has the following events taken place subsequent to December 31, 2019.

Proposal of Profit Distribution Plan

Subsequent to the end of the reporting period, the Board proposes the 2019 Profit Distribution Plan as follows: (1) a dividend in an aggregate amount of RMB556,430,000 (inclusive of tax) to be paid to shareholders of the Company on the record date for determining the shareholders' entitlement to the 2019 Profit Distribution Plan (which amounts to a dividend of RMB3.37 (inclusive of tax) for every 10 shares of the Company based on the total issued shares of the Company as of the date of this annual report), and (2) 4 new shares for every 10 existing shares of the Company to be issued out of reserve to all shareholders. The 2019 Profit Distribution Plan is subject to, amongst others, approval by shareholders 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).

Impact of the novel coronavirus pneumonia epidemic

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

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

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

"2018 A Share Incentive Scheme"	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 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 Restricted A Shares"	the Restricted A Shares granted under the 2019 A Share Incentive Plan
"2019 Share Appreciation Scheme"	the Share Appreciation Incentive Scheme of 2019 adopted by the Company on September 20, 2019
"2019 Share Options"	the share options granted under the 2019 A Share Incentive Plan
"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
"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

"Board of Directors" or "Board"	our board of Directors
"Capitalization of Reserve"	the proposed issue of 4 Capitalization Shares for every 10 Shares by way of capitalization of reserve
"Capitalization Shares"	the new Shares to be allotted and issued under the Capitalization of Reserve by the Company
"CAGR"	compound annual growth rate
"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
"CNAS"	China National Accreditation Service for Conformity Assessment
"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

"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.
"COVID-19"	novel coronavirus pneumonia
"CRO"	Contract Research Organization
"CTA"	Clinical Trial Authorization
"DEL"	DNA-encoded library
"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
"eCTD"	Electronic Common Technical Document
"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
"GeneMedicine"	GeneMedicine Co., Ltd., a South Korea-based gene therapy biotechnology Company
"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(s)"	Overseas listed foreign shares in the share capital of our Company with nominal value of RMB1.00 each, which are listed on the Stock Exchange
"HKD" or "Hong Kong dollars"	Hong Kong dollars and cents, both are the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"IFRS"	International Financial Reporting Standards
"IND"	Investigational New Drug
"Initial Grant"	the initial grant of 13,657,803 Restricted A Shares and 5,292,174 Share Options upon adoption of the 2019 A Share Incentive Plan
"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)
"Model Code"	the "Model Code for Securities Transactions by Directors of Listed Issuers" set out in Appendix 10 to the Listing Rules
"NDA"	New Drug Application
"New H Shares"	the new H Shares to be issued upon the exercise of the specific mandate, the maximum number of which is (i) 68,205,400 New H Shares; or (ii) 95,487,500 New H Shares, representing 40% of the total issued H Shares of the Company if the 2019 Profit Distribution Plan is approved by the relevant Shareholders and the Capitalization of Reserve is completed as at the date of the completion of the Proposed Issuance of H Shares
"NMPA"	National Medical Products Administration
"Nomination Committee"	the nomination committee of the Board
"OECD"	Organization for Economic Co-operation and Development
"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, 2019
"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
"RMB"	Renminbi, the lawful currency of the PRC
"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" or "U.S. dollars"	United States dollars, the lawful currency of the United States
"WIND"	WuXi IND
"Wuxi Biologics"	WuXi Biologics (Cayman) Inc. (藥明生物技術有限公司) (stock code: 2269), a company incorporated under the laws of Cayman Islands with limited liability on February 27, 2014, the shares of which were listed on the Main Board of the Stock Exchange on June 13, 2017
"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

无锡药明康德新药开发股份有限公司

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