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

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

(Stock Code: 2359)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED JUNE 30, 2019

The Board of Directors of WuXi AppTec Co., Ltd.* (無錫藥明康德新藥開發股份有限公司) (the "Company") is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended June 30, 2019 (the "Reporting Period").

FINANCIAL HIGHLIGHTS

		Six months ended June 30,		
		2019	2018	Change
		RMB million	*RMB million*	
Revenue		**5,894.4**	4,409.2	33.7%
Gross Profit		**2,283.6**	1,756.1	30.0%
Gross Profit Margin		**38.7%**	39.8%	
Net Profit Attributable to the Owners of the Company		**1,056.8**	1,271.9	-16.9%
Net Profit Margin		**17.9%**	28.8%	
Adjusted Non-IFRS Net Profit Attributable to the Owners of the Company		**1,178.7**	893.0	32.0%
Adjusted Non-IFRS Net Profit Margin		**20.0%**	20.3%	
		RMB	*RMB*	
Earnings per share	— Basic	**0.65**	0.93	-30.1%
	— Diluted	**0.64**	0.93	-31.2%
Adjusted Non-IFRS Earnings per share	— Basic	**0.72**	0.66	9.1%
	— Diluted	**0.72**	0.66	9.1%

The Board resolved not to declare any interim dividend for the six months ended June 30, 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

1. The Board's Discussion and Analysis on Operations of the Group for the Reporting Period

A. Analysis on Principal Operations

During the Reporting Period, we maintained strong growth momentum across all business segments. For the Reporting Period, we realized revenue of RMB5,894.4 million, representing a year-over-year ("YoY") growth of 33.7%. During the Reporting Period, we realized net profit attributable to the owners of the Company of RMB1,056.8 million, representing a YoY decrease of 16.9%. Our adjusted non-IFRS net profit attributable to owners of the Company for the Reporting Period amounted to approximately RMB1,178.7 million, representing a YoY growth of 32.0%. Please refer to "B. Non-IFRS Measure" below for details.

We continued to increase customer penetration, acquire new customers, especially global "long-tail" customers, and expand our services to China customers. During the Reporting Period, we acquired nearly 600 new customers and our active customer count reached more than 3,600. By leveraging the strengths of our integrated end-to-end R&D services platform, we were able to create further synergies across all our segments and continuously expand our scope of services through our "follow the project" and "follow the molecule" strategies.

We continued to enhance our capacities and capabilities across all segments and facilities. During the Reporting Period, our newly built Qidong research and development center began operation, and will become an extension of our Shanghai headquarter in the future. Three of our Laboratory Testing Division's facilities, namely Drug Safety Testing, Bioanalytical Services and Medical Device Testing, completed regulatory inspections by FDA, OECD, and CNAS, all with excellent results. Our cell and gene therapies CDMO/CMO facility in Wuxi city began operation, providing services to customers in China. Our subsidiary STA's new drug product manufacturing facility in Shanghai passed its first GMP inspection by the European Medical Products Agency ("MPA"). In July 2019, STA's ASU facility in Shanghai and API process R&D and manufacturing facility in Changzhou successfully passed two inspections by the FDA, with no Form 483 (i.e. a form used by the FDA to document and communicate concerns discovered during the inspections) issued.

Revenue

During the Reporting Period, we realized revenue of RMB5,894.4 million, representing a YoY growth of 33.7%. Our China-based laboratory services realized revenue of RMB2,988.9 million, representing a YoY growth of 23.7%, our CDMO/CMO services realized revenue of RMB1,717.7 million, representing a YoY growth of 42.0%, our U.S.-based laboratory services realized revenue of RMB709.8 million, representing a YoY growth of 30.0%, while our clinical research and other CRO services realized revenue of RMB472.1 million, representing a YoY growth of 104.2%.

(1) China-based laboratory services

During the Reporting Period, our China-based laboratory services realized revenue of RMB2,988.9 million, representing a YoY growth of 23.7%. We have one of the largest and most experienced small molecule chemical drug R&D teams globally, along with a comprehensive testing platform. We assisted our global customers in pushing forward R&D progress of innovative pharmaceutical products and we continued to enable our domestic customers with our market-leading expertise.

In small molecule drug discovery, during the Reporting Period, we assisted global customers in developing many pre-clinical candidate molecules and applied for patents, with various research papers published. We have built a DNA-encoded library ("DEL") with approximately 90 billion compounds, enabling a growing number of customers globally to discover innovative small molecule drugs.

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 provided WIND services to many global and domestic customers, and for the first time helped our customers obtain FDA clinical trial approval under eCTD format.

In addition, we provided integrated drug discovery and R&D services to Chinese customers which span from early stage drug discovery to completion of IND filings with NMPA. These projects have success-based agreements that provide us with a milestone and/or royalty fee. During the Reporting Period, we assisted Chinese customers in making 10 IND filings with NMPA for new-chemical entities and assisted our customers in obtaining 11 CTAs from NMPA. As of the end of June 30, 2019, we have in total assisted Chinese customers submitted 65 new-chemical entities IND filings and obtained 45 CTAs from NMPA.

(2) CDMO/CMO services

During the Reporting Period, the revenue of our CDMO/CMO services amounted to RMB1,717.7 million, representing a YoY growth of 42.0%. 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 first half of 2019, our small molecule CDMO/CMO pipeline has grown to more than 800 active projects, including 11 under China's MAH pilot program. Furthermore, 40 projects are in Phase III and 16 are already in commercial manufacturing.

During the Reporting Period, our CDMO/CMO services made considerable progress. We continued to expand our biocatalysis services. Our 500 litre biocatalysis bioreactor in API manufacturing facility in Jinshan began operation. Meanwhile, we continued to strengthen our oligonucleotide and polypeptide CDMO capabilities. In early 2019, our oligonucleotide and polypeptide cGMP pilot facility began operation and completed the first cGMP campaign for clinical usage material during the Reporting Period. The commercial manufacturing oligonucleotide and polypeptide platforms are under construction and are expected to begin operation by the end of 2019 and the first half of 2020, respectively.

(3) U.S.-based laboratory services

During the Reporting Period, our U.S.-based laboratory services realized revenue of RMB709.8 million, representing a YoY growth of 30.0%. This segment comprises our cell and gene therapies CDMO services and medical device testing services. 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. As the utilization rate increased, our cell and gene therapies CDMO services revenue growth accelerated. As of June 30, 2019, we have provided CDMO services for 30 clinical stage cell and gene therapies projects, including 21 projects in phase I and 9 projects in phase II/III.

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 experienced rapid growth.

(4) Clinical research and other CRO services

During the Reporting Period, our clinical research and other CRO services realized revenue of RMB472.1 million, representing a YoY growth of 104.2%. The revenue growth was mainly driven by continued rapid development of the domestic new drug clinical trial market, and the acquired US clinical CRO business which contributed to RMB84.5 million for the six months ended June 30, 2019. Excluding the effect of acquisition, the revenue of our Clinical research and other CRO services grew 67.7%. During the Reporting Period, we continued to build our global clinical research network. By the end of the Reporting Period, our Clinical Development Services team has more than 850 employees in China and Oversea. Our SMO team had more than 2,200 clinical research coordinators distributed in more than 120 cities throughout China and provides SMO services in more than 900 hospitals. During the Reporting Period, the Company upgraded its 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 Dr. Frederick H. Hausheer as our Chief Medical Officer. With his decades of extensive clinical experience in both the U.S. and China, Dr. Hausheer is already having a big impact on the design of our customers' medical and clinical development programs. His skills 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.

We are committed to strengthening our clinical development capabilities globally. Since our acquisition of WuXi Clinical Development, Inc. (carrying on business as ResearchPoint Global), we have provided multi-regional clinical trial services to multiple customers. In May 2019, we acquired Pharmapace, Inc., a clinical research services company with expertise of providing high quality biometrics services, which has allowed us to further enhance our global clinical trial services capabilities.

Gross Profit

During the Reporting Period, we realized comprehensive gross profit of RMB2,283.6 million, representing a YoY growth of 30.0%. The gross profit of our core business was RMB2,281.6 million, representing a YoY growth of 30.1%. The gross profit of China-based laboratory services was RMB1,301.4 million, representing a YoY growth of 20.0%. The gross profit of our CDMO/CMO services was RMB698.0 million, representing a YoY growth of 42.7%. The gross profit of our U.S.-based laboratory services was RMB190.6 million, representing a YoY growth of 52.3%. The gross profit of our clinical research and other CRO services was RMB91.6 million, representing a YoY growth of 65.5%. The gross profit margin of our core business decreased by 1.1 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 higher costs, 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 RMB1,301.4 million, representing a YoY growth of 20.0%. This is because we paid more incentives, including share-based compensation, to our employees, which led to higher costs, as well as different project mix.

(2) CDMO/CMO services

During the Reporting Period, our CDMO/CMO services realized gross profit of RMB698.0 million, representing a YoY growth of 42.7%, in line with growth of revenue.

(3) U.S.-based laboratory services

During the Reporting Period, our U.S.-based laboratory services realized gross profit of RMB190.6 million, representing a YoY growth of 52.3%. 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 3.9 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 RMB91.6 million, representing a YoY growth of 65.5%. Gross profit growth was slightly lower than revenue growth, mainly due to the effect of pass-through revenue and amortization cost of intangible assets associated with the Company's mergers and acquisitions.

Other Income

Other income increased from RMB54.7 million for the six months ended June 30, 2018 to RMB124.9 million for the six months ended June 30, 2019. The increase was due primarily to: (1) increase in interest income of RMB46.1 million; and (2) increase in government grants and subsidies of RMB23.2 million.

Other Gains and Losses

Other gains and losses decreased from gains of RMB389.6 million for the six months ended June 30, 2018 to losses of RMB22.5 million for the six months ended June 30, 2019. The decrease was due primarily to: (1) RMB442.8 million decrease in fair-value gain of financial assets at FVTPL from invested portfolio companies (mainly Unity Biotechnology Inc. and Hua Medicine, which are biotechnology companies listed on NASDAQ and Hong Kong Stock Exchange respectively); (2) RMB14.2 million increase in exchange loss; partially offset by (3) RMB6.9 million increase in gain on disposal of investment; and (4) RMB41.2 million decrease in loss on derivative financial instruments.

Selling and Marketing Expenses

Selling and marketing expenses increased from RMB152.7 million for the six months ended June 30, 2018 to RMB208.5 million for the six months ended June 30, 2019, which was due primarily to increasing personnel costs for business expansion.

Administrative Expenses

Administrative expenses increased from RMB435.3 million for the six months ended June 30, 2018 to RMB671.2 million for the six months ended June 30, 2019. The increase was due primarily to: (1) increase in personnel costs from the 2018 WuXi AppTec A Share Incentive Scheme; (2) increase in depreciation and amortization expenses; and (3) increase in service fees to improve operation efficiency.

Research and Development Expenses

Research and development expenses increased from RMB177.5 million for the six months ended June 30, 2018 to RMB243.6 million for the six months ended June 30, 2019. The increase was due primarily to: (1) increase in personnel costs; and (2) increase in material costs for research and development projects.

Finance Costs

Finance costs mainly consist of interest expense on bank borrowings and leases liabilities. For the six months ended June 30, 2019, finance cost decreased due primarily to decrease of bank borrowings average balance during the first half of year 2019.

Income Tax Expenses

Income tax expenses increased from RMB121.0 million for the six months ended June 30, 2018 to RMB176.5 million for the six months ended June 30, 2019, due primarily to tax assessable profit increased.

Profit for the Period

Profit for the period decreased from RMB1,304.1 million for the six months ended June 30, 2018 to RMB1,105.0 million for the six months ended June 30, 2019. Net profit margin decreased from 29.6% to 18.7% due primarily to: (1) decrease in fair value gain from invested portfolio companies (mainly Unity Biotechnology Inc. and Hua Medicine); (2) increasing expense along with the growth of business and increasing capacity.

Assets and Liabilities Analysis

Unit: RMB in 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						
Prepaid lease payments (current and non-current)	—	—	278.5	1.2	(100.0)	Land use rights recognised under prepaid lease payments were reclassified to right-of-use assets under the adoption of IFRS16 — Lease.
Right-of-use assets	1,111.8	4.6	—	—	/	During the Reporting Period, right-of-use assets were recognised under adoption of IFRS 16 — Lease.
Derivative financial instruments (current and non-current)	13.9	0.1	37.1	0.2	(62.6)	Partial settlement of foreign currency forward contracts during the Reporting Period lead to the decrease of the assets.
Amount due from related parties	7.6	—	13.9	0.1	(45.5)	Due primarily to the collection of receivables from related parties.
Income tax recoverable	8.8	—	34.0	0.2	(74.3)	Due primarily to the tax refund collected from the Internal Revenue Service.
Financial assets at FVTPL (current)	3,152.4	12.9	2,125.3	9.4	48.3	Due primarily to the increasing investments in monetary funds and wealth management products during the Reporting Period to enhance capital profitability.
Bank balances and cash	3,699.8	15.1	5,757.7	25.4	(35.7)	Due primarily to purchase of non-controlling interest shares of STA (a subsidiary of the company), payment for cash dividends of year 2018, capital investments and acquisition projects 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						
Deferred tax liabilities	158.1	0.6	111.7	0.5	41.5	Due primarily to deferred tax liabilities from intangible assets acquired upon acquisition of Pharmapace, Inc.
Other long-term liabilities	95.9	0.4	194.3	0.9	(50.7)	Deferred rent previously recognised under other long-term liabilities were reclassified to lease liabilities under the adoption of IFRS16 — Lease.
Lease liabilities (current and non-current)	842.3	3.4	—	—	/	Lease liabilities were recognised under the adoption of IFRS16 — Lease.
Derivative financial instruments	103.3	0.4	153.3	0.7	(32.6)	Partial settlement and revaluation appreciation of foreign currency forward contracts during the Reporting Period lead to the decrease of the liabilities.
Financial Liabilities at FVTPL (current and non-current)	32.4	0.1	—	—	/	Due primarily to the contingent consideration from acquisition of Pharmapace, Inc.
Borrowings (current)	1,294.9	5.3	120.0	0.5	979.1	Due primarily to the increased borrowings for daily operations, capital investments and acquisition projects.

Cash Flows

	Six months ended June 30,	
	2019	2018
	RMB million	*RMB million*
Net cash from operating activities	**877.7**	420.7
Net cash used in investing activities	**(2,590.7)**	(3,682.8)
Net (used in) cash from financing activities	**(307.5)**	2,201.4
Net decrease in cash and cash equivalents	**(2,020.5)**	(1,060.7)
Effects of exchange rate changes	**(37.5)**	(25.1)
Cash and cash equivalents at the beginning of period	**5,757.7**	2,466.1
Cash and cash equivalents at the end of period	**3,699.8**	1,380.4

For the six months ended June 30, 2019, net cash flows from operating activities of the Group amounted to RMB877.7 million, representing an increase of RMB457.0 million over the six months ended June 30, 2018. The increase was due primarily to the increase in net cash from operating activities resulting from the strong growth of all segments.

For the six months ended June 30, 2019, net cash flows used in investing activities of the Group amounted to RMB2,590.7 million, representing a decrease of RMB1,092.1 million over the six months ended June 30, 2018. The decrease was due primarily to the decrease of RMB1,207.0 million in purchasing of financial assets at FVTPL, which was partially offset by the increase of RMB269.2 million in purchasing of property, plant and equipment.

For the six months ended June 30, 2019, net cash flows used in financing activities of the Group amounted to RMB307.5 million, representing a decrease of RMB2,508.9 million compared with the net cash flow from financing activities over the six months ended June 30, 2018. The decrease was due primarily to: (1) RMB316.3 million net proceeds received from issuance of H Shares upon partial exercise of over-allotment option in January 2019, versus RMB2,160.7 million net proceeds received from issuance of A Shares in May 2018, and (2) RMB867.4 million cash payments for acquisition of STA's equity interest from non-controlling shareholders during the six months ended June 30, 2019.

Gearing Ratio

As at June 30, 2019, the gearing ratio, calculated as total liabilities over total assets, was 25.8%, as compared with 19.9% as at December 31, 2018. The higher ratio is due primarily to RMB1,174.9 million short-term borrowing increased for daily operations, capital investments and acquisition projects.

Contingent Liabilities

As at June 30, 2019, the Group has no significant contingent liabilities except for the contingent considerations as disclosed in Note 15 of the notes to condensed consolidated financial statements in this announcement.

Borrowings

As at June 30, 2019, the Group had aggregated borrowings of RMB1,309.9 million. Floating interest rate borrowings amounted to RMB359.9 million was denominated in RMB with effective interest rate ranging from 3.83% to 6.18% and fixed rate borrowings amounted to RMB950.0 million was denominated in RMB with effective interest rate ranging from 3.30% to 3.92%, respectively. Among the total borrowings, RMB1,294.9 million will be due within one year and RMB15.0 million will be due after one year.

65% equity interests in WuXi Clinical Development Services (Chengdu) Co., Ltd., which are held by its parent company WuXi Clinical Development Services (Shanghai) Co., Ltd, one of our 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.

Currently, the Group follows a set of funding and treasury policies to manage its capital resources and prevent risks involved.

Analysis on Investments

During the Reporting Period, the Company and its subsidiaries further invested in the pharmaceutical and healthcare ecosystem. In 2019, major new investments include Hygeia Healthcare Holdings Co., Limited (an innovative biopharmaceutical company, focusing on the development of new clinical drugs), Beijing Dragon Laboratory Instruments Limited (a laboratory instruments manufacturing company, integrating R&D, trade and production), and Halodoc Technologies LLP (a leading on-line health service platform in Indonesia).

B. Non-IFRS Measure

To supplement our condensed consolidated financial statements which are presented in accordance with IFRS, we use adjusted net profit attributable to owners of the Company as an additional financial measure. We define adjusted net profit attributable to owners as profit/(loss) for the period before certain expenses as set out in the table below which do not relate directly to the business operation of the Company. Adjusted net profit attributable to owners is not an alternative to (i) profit before income tax or profit for the period (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 non-IFRS net profit attributable to owners of the Company is 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 and non-recurring items that the Group does not consider indicative of the performance of the Group's business. However, the presentation of the adjusted non-IFRS net profit attributable to owners of the Company is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with the IFRS. The adjusted non-IFRS net profit attributable to owners of the Company does not have a standardized definition prescribed under the IFRS and therefore may not be comparable to similar measures presented by other companies. Shareholders and potential investors should not view the adjusted non-IFRS net profit attributable to owners of the Company 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.

	Six months ended June 30,	
	2019	2018
	RMB million	*RMB million*
Profit attributable to the owners of the Company	**1,056.8**	1,271.9
Add:		
Share-based compensation expense	**62.7**	16.0
Listing expenses for offering of our A Shares and H Shares	**—**	6.4
Foreign exchange related losses	**81.3**	56.1
Amortization of intangible assets acquired in business combination	**12.4**	8.0
Non-IFRS net profit attributable to the owners of the Company	**1,213.2**	1,358.4
Add:		
Realized and unrealized gains from venture investments	**(54.7)**	(474.2)
Realized and unrealized share of losses of joint ventures	**20.2**	8.8
Adjusted non-IFRS net profit attributable to the owners of the Company	**1,178.7**	893.0

2. Business Outlook for the Second Half of 2019

The Company operates in the pharmaceutical R&D service industry and enables or assists our customers to carry out new drug R&D in a faster and better way through our own technological and manufacturing platforms. Global drug R&D service companies can be classified as CRO, CDMO/CMO and R&D service platforms which cover the whole industrial chain of pharmaceutical R&D. At present, most of drug R&D service companies focus on a specific stage of new drug R&D, such as preclinical CRO, clinical trial CRO, CDMO/CMO. In addition, there are a few integrated end-to-end R&D service platforms, including the Company, which are able to provide one-stop new drug R&D and manufacturing services to their customers. Integrated end-to-end new drug R&D service platforms can provide services along with the value chain of drug R&D and start to provide services to their customers from the early drug discovery stage and assist their customers in term of capabilities and scale. They gain the confidence of their customers by offering quality and efficient services. During the development of a particular project, they can expand the scope of their services from "developing along with the project" to "expanding along with the development of drugs".

It is expected that the pharmaceutical R&D service industry, especially integrated end-to-end R&D service platforms, will continue to grow at a steady pace over the next few years. First, due to the industrial characteristics of innovative drug R&D, such as large investment, long cycle and high risk, together with the increasing R&D cost and "patent cliff" facing by drug manufacturers, more manufacturers are expected to engage external R&D institutes to conduct R&D tasks. Secondly, small and medium biotechnology companies and individual entrepreneurs have become a major driving force of pharmaceutical innovation. According to the Frost & Sullivan Report, in 2018, there were 8,311 small pharmaceutical companies in the world, accounting for 76% of the total pharmaceutical companies. 39% of the FDA approved new drugs was originated from these small pharmaceutical companies. By 2023, it is expected that there will be 13,892 small pharmaceutical companies, accounting for 79% of the total pharmaceutical companies. 48% of the FDA approved new drugs will be originated from these small pharmaceutical companies. These companies usually have advantages in certain specific scientific technologies and 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 able to meet their R&D service needs from concept verification to product launching out. Thirdly, policies such as accelerated approval, consistency evaluation of generic drugs, and Marketing Authorization Holder, encourage pharmaceutical innovation in China. More and more Chinese pharmaceutical companies and biotechnology companies increased their investment in new drug R&D. Pharmaceutical R&D service companies, especially service platforms with global leading R&D capabilities, are expected to benefit from the rapid growth of domestic demand for new drug R&D services.

3. 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. Our integrated end-to-end new drug R&D service platform meets 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.

(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, ensuring that we will 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. Based on our deep insights on industrial trends and emerging technologies, we enable our customers with the latest scientific and technological discoveries and convert them to potential products.

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

We have accumulated extensive industry experience after 19 years of accelerated growth. We have provided services to leading domestic and international pharmaceutical companies and established trusted partnerships. We have grown an appreciation for customer demands and have become aware of the latest development trends and consequently have enhanced our service capabilities through ongoing strengthening of capabilities and expansion of scale as well as strategic M&As, to provide more premium, and comprehensive services to our customers. In terms of organic growth, we continue to build our capabilities. During the Reporting Period, our newly built Qidong research and development center began operation, and will become an extension of our Shanghai headquarter in the future. Three of our Laboratory Testing Division's facilities, namely Drug Safety Testing, Bioanalytical Services and Medical Device Testing, completed regulatory inspections by the FDA, OECD, and CNAS, all with excellent results. Our cell and gene therapies CDMO/CMO facility in Wuxi began operation, providing services to domestic customers. Our subsidiary STA's new drug product manufacturing facility in Shanghai has passed its first GMP inspection by the European MPA. In July 2019, STA's ASU in Shanghai and API process R&D and manufacturing facility in Changzhou have successfully passed two inspections from the FDA, with no Form 483 issued. In terms of M&A, we have made a number of high-quality transactions such as AppTec, Abgent, Crelux, HD Biosciences and WuXi Clinical Development, 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 clinical research services company with expertise of providing high quality biometrics services, which has allowed us to further enhance our global clinical trial services capabilities. 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 nearly 600 new customers and provided services to more than 3,600 active customers in over 30 countries, including all of the top 20 global pharmaceutical companies, according to Frost & Sullivan report. 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. From 2016 to 2018, top 20 global pharmaceutical companies contributed to 40.4%, 36.0% and 33.2% of our revenue, respectively. During the Reporting Period, top 20 global pharmaceutical contributed to 27.0% of our revenue, down by 7.2 percentage points compared with the same period last year. 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 AI team and cooperated with global leading AI companies and universities to jointly explore the possibility of further improving our service efficiency. We have invested in and co-founded PICA, a mobile application education platform company reaching approximately 1.8 million community doctors. PICA connects community doctors working in China's rural areas with the latest medical information and provides online training for them to better diagnose and treat their patients. With its collaboration networks and data, it could help with early diagnostic as well as clinical trial patient recruitment. We have established CW Data Co., Ltd, a joint venture with China Electronics Corporation to develop healthcare data products and services. The joint venture focuses on three core solution offerings, including data informatics, commercial analytics and advisory services that will provide data solutions to participants in the healthcare ecosystem, including pharmaceutical distributors and insurance companies.

(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.

5. 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, startups, virtual companies and scholars & 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, increase of R&D budgets of our customers and increasing percentage of our customers' outsourcing services, 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 as well as result in adverse impact upon our business operation.

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

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

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

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

(4) Business Compliance Risk

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

(5) Risk of Overseas Operation and Change of International Policy

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

(6) Risk of Loss of Senior Management and Key Scientific Staff

Our senior management and key scientific staff are an 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) 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 loss for the six months ended June 30, 2019 and 2018 were RMB33.3 million and RMB19.1 million, respectively. If RMB appreciates significantly against USD, our margins might be pressured, a portion of cost denominated in RMB might be increased and the size of our international customers' orders might be contracted due to increase of unit prices of services, our revenue denominated in USD might be reduced which may adversely impact our profitability as a result. Please see note 16 of the notes to the condensed consolidated financial statements in this announcement for the Group's policy and forward foreign exchange contracts entered into to manage the foreign exchange risk.

6. 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函》(股轉系統函[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 STA Shares 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 "Protection Measures") 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 Shareholder. 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.

HUMAN RESOURCES

As at June 30, 2019, the Group had 19,042 employees. The Group enters into employment contracts with its employees to cover matters such as position, term of employment, wage, employee benefits and liabilities for breaches and grounds for termination.

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Reporting Period, as 11 of the grantees of the 2018 WuXi AppTec A Share Incentive Scheme had resigned from the Company and terminated their employment contracts with the Company, they no longer fulfilled the conditions for unlocking. Pursuant to the 2018 WuXi AppTec A Share Incentive Scheme, on March 22, 2019, the Board considered and approved the buyback and cancellation of 31,347 Restricted A Shares which were granted to the aforesaid grantees which had not been unlocked at a price of RMB45.53 per share for the buyback. The total consideration for the buyback amounted to RMB1,427,228.91. Such portion of shares was cancelled in accordance with the Rules Governing the Listing of Stocks on Shanghai Stock Exchange on June 18, 2019.

After the Reporting Period, as 41 of the grantees of the 2018 WuXi AppTec A Share Incentive Scheme had resigned from the Company and terminated their employment contracts with the Company, they no longer fulfilled the conditions for unlocking. The Proposal on the Repurchase and Cancellation of Part of Restricted Shares Issued under the 2018 WuXi AppTec A Share Incentive Scheme of the Company and the Proposal on Adjustment to the Repurchase Number and Repurchase Price of Restricted Shares were approved at the Board meeting on July 19, 2019. Pursuant to the above proposals, due to the resignation of 41 participants and the completion of 2018 Profit Distribution Plan, the Company intended to repurchase Restricted A Shares which have been issued to the aforesaid participants under the relevant provisions of 2018 WuXi AppTec A Share Incentive Scheme. After adjusting the repurchase price and number of Restricted A Shares, a total of 338,349 Restricted A Shares shall be repurchased after adjustment at an adjusted repurchased price of RMB32.15 per Shares. The total consideration for the buyback amounted to RMB10,877,920.35. Such portion of shares will be cancelled in accordance with the Rules Governing the Listing of Stocks on Shanghai Stock Exchange.

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

USE OF NET PROCEEDS FROM IPO

The total proceeds from the issue of new H Shares by the Company in its Listing amounted to approximately RMB7,285.9 million[(1)], the net proceeds planned for applications amounted to approximately RMB7,032.6 million[(2)] and the balance of unutilized net proceeds amounted to approximately RMB2,628.2 million as at June 30, 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 June 30, 2019:

Use of proceeds		Original allocation of Net Proceeds *(HKD million)*	Original allocation of Net Proceeds *(RMB million)*	Revised allocation of Net Proceeds *(RMB million)*	Utilized amount (as of June 30, 2019) *(RMB million)*	Unutilized amount (as of June 30, 2019) *(RMB million)*
To expand our capacity and capabilities across all business units globally	37.0%	2,798.0	2,462.2	2,602.1	1,010.0	1,592.1
— invest in PRC projects[(3)]	22.0%	1,663.1	1,463.5	1,547.2	903.2	644.0
— invest in U.S. projects[(4)]	7.5%	570.1	501.7	562.6	106.8	455.8
— invest in Hong Kong project[(5)]	7.5%	564.8	497.0	492.3	—	492.3
To fund the acquisition of CRO and CMO/CDMO companies	26.5%	2,000.0	1,759.9	1,863.6	1,007.0	856.6
To invest in our ecosystem	4.0%	300.0	264.0	281.3	281.3	—
To develop cutting-edge technology	2.6%	200.0	176.0	182.8	3.3	179.5
To repay our bank loans	19.9%	1,500.0	1,320.0	1,399.5	1,399.5	—
Working capital and general corporate uses	10.0%	755.3	664.6	703.3	703.3	—
	100.0%	7,553.3	6,646.7	7,032.6	4,404.4	2,628.2

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.

(2) By excluding the underwriting fees and commissions and estimated expenses payable by the Company, the net proceeds planned for applications amounted 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) Investment 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.

(4) Investment 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.

(5) Investment in Hong Kong project, including establishing a Hong Kong-based R&D Innovation Center.

CORPORATE GOVERNANCE

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

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

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

EVENTS AFTER THE REPORTING PERIOD

(1) Adoption of the Restricted A Shares and Stock Option Incentive Plan of 2019

Subsequent to the Reporting Period, 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 Restricted A Shares and Stock Option Incentive Plan of 2019 (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 Restricted A Shares or share options of the Company under 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. The 2019 A Share Incentive Plan is subject to the approval of the Shareholders at the extraordinary general meeting and the class meetings. For details, please refer to the announcement and the circular of the Company dated July 19, 2019 and August 5, 2019, respectively, in relation to, amongst others, the 2019 A Share Incentive Plan disclosed on the website of the Hong Kong Stock Exchange (www.hkexnews.hk).

(2) Adoption of the Share Appreciation Incentive Scheme of 2019

Subsequent to the Reporting Period, the Board has resolved on July 19, 2019 to adopt the 2019 share appreciation incentive scheme (the "2019 Share Appreciation Scheme"). Under the 2019 Share Appreciation Scheme, share appreciation rights will be granted to eligible participants with each of them being notionally linked to one H Share, and will confer the right to gain specified amount of benefits in cash from the increase in market price of the relevant H Shares. No H Shares will actually be issued to any participants. The 2019 Share Appreciation Scheme shall take effect upon the approval of the Shareholders at the general meeting of the Company. For details, please refer to the announcement and the circular of the Company dated July 19, 2019 and August 5, 2019, respectively, in relation to, amongst others, the 2019 Share Appreciation Scheme disclosed on the website of the Hong Kong Stock Exchange (www.hkexnews.hk).

(3) Grant of reserved interests to the participants under the 2018 Restricted Shares and Stock Option Incentive Plan

Subsequent to the Reporting Period, the Board is of the view that the conditions of the grant of Reserved Interests under the 2018 A Share Incentive Plan 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 2 participants, one of such is a connected person of the Company with July 19, 2019 confirmed as the date of grant (the "Reserved Grant"). Pursuant to the 2018 A Share Incentive Plan, the Grant Price of the Reserved Restricted A Shares granted shall be RMB32.44 per share and the exercise price of the Reserved Share Options granted shall be RMB64.88 per share. For details, please refer to the announcement of the Company dated July 19, 2019 in relation to the Reserved Grant disclosed on the website of the Hong Kong Stock Exchange (www.hkexnews.hk).

(4) Capitalization of Reserve pursuant to the 2018 Profit Distribution Plan

On June 3, 2019, 2018 Profit Distribution Plan of the Company was approved at the 2018 annual general meeting, 2019 first session of A Share Class Meeting and 2019 first session of H Share Class Meeting. Pursuant to the 2018 Profit Distribution Plan, four Shares of the Company were issued for every ten Shares of the Company held by the shareholders of the Company 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.

REVIEW OF INTERIM RESULTS

The Audit Committee of the Company comprises three independent non-executive Directors, namely Dr. Hetong Lou, Mr. Xiaotong Zhang, Ms. Yan Liu. The chairman of the Audit Committee is Dr. Hetong Lou. The Audit Committee has reviewed the unaudited interim condensed consolidated financial information of the Group for the six months ended June 30, 2019 with the management and the auditors of the Company.

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

INTERIM DIVIDEND

The Board does not recommend the distribution of any interim dividend for the Reporting Period.

PUBLICATION OF INTERIM RESULTS AND 2019 INTERIM REPORT

This announcement is published on the websites of the Company (http://www.wuxiapptec.com) and the Hong Kong Stock Exchange (http://www.hkexnews.hk). The 2019 Interim Report will be dispatched to the Shareholders of the Company and will be made available on the websites of the Company and the Hong Kong Stock Exchange as and when appropriate.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED JUNE 30, 2019

	Notes	Six months ended June 30, 2019 RMB'000 (Unaudited)	2018 RMB'000 (Audited)
Revenue	5	**5,894,358**	4,409,207
Cost of services		**(3,610,767)**	(2,653,098)
Gross profit		**2,283,591**	1,756,109
Other income	6	**124,873**	54,729
Other gains and losses	7	**(22,493)**	389,632
Impairment losses under expected credit losses ("ECL") model, net of reversal		**(1,152)**	5,648
Selling and marketing expenses		**(208,514)**	(152,680)
Administrative expenses		**(671,239)**	(435,261)
Research and development expenses		**(243,622)**	(177,525)
Operating Profit		**1,261,444**	1,440,652
Share of profits of associates		**72,978**	38,652
Share of losses of joint ventures		**(20,202)**	(8,752)
Finance costs		**(32,753)**	(45,521)
Profit before tax		**1,281,467**	1,425,031
Income tax expenses	8	**(176,502)**	(120,961)
Profit for the period	9	**1,104,965**	1,304,070
Profit for the period attributable to:			
Owners of the Company		**1,056,762**	1,271,898
Non-controlling interests		**48,203**	32,172
		1,104,965	1,304,070
Earnings per share (expressed in RMB per share)	11		
— Basic		**0.65**	0.93
— Diluted		**0.64**	0.93

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2019

	Notes	Six months ended June 30, 2019	2018
		RMB'000	*RMB'000*
		(Unaudited)	(Audited)
Profit for the period		**1,104,965**	1,304,070
Other comprehensive income (expense) for the period			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		**5,352**	43,255
Fair value gain (losses) on — hedging instruments designated in cash flow hedges		**50,260**	(65,884)
Other comprehensive income (expense) for the period, net of income tax		**55,612**	(22,629)
Total comprehensive income for the period		**1,160,577**	1,281,441
Attributable to:			
Owners of the Company		**1,108,710**	1,244,780
Non-controlling interests		**51,867**	36,661
		1,160,577	1,281,441

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2019

	Notes	**June 30, 2019**	December 31, 2018
		RMB'000	*RMB'000*
		(Unaudited)	(Audited)
ASSETS			
Non-current Assets			
Property, plant and equipment		**6,702,623**	6,057,611
Right-of-use assets		**1,111,793**	—
Goodwill		**1,248,828**	1,144,076
Other intangible assets		**430,614**	347,949
Prepaid lease payments		**—**	272,306
Interests in associates		**747,407**	618,736
Interests in joint ventures		**39,260**	36,822
Deferred tax assets		**253,787**	250,175
Financial assets at fair value through profit or loss ("FVTPL")	*12*	**2,516,440**	2,079,311
Other non-current assets		**62,128**	47,378
Derivative financial instruments	*16*	**605**	—
		13,113,485	10,854,364
Current Assets			
Inventories		**972,508**	854,761
Contract costs		**119,851**	97,712
Amounts due from related parties		**7,569**	13,882
Trade and other receivables	*13.1*	**3,014,028**	2,498,696
Contract assets	*13.2*	**322,441**	384,530
Prepaid lease payments		**—**	6,237
Income tax recoverable		**8,751**	34,028
Financial assets at FVTPL	*12*	**3,152,359**	2,125,334
Derivative financial instruments	*16*	**13,265**	37,054
Pledged bank deposits		**4,401**	2,913
Bank balances and cash		**3,699,765**	5,757,691
		11,314,938	11,812,838
Total Assets		**24,428,423**	22,667,202

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2019

	Notes	**June 30, 2019** ***RMB'000*** **(Unaudited)**	December 31, 2018 *RMB'000* (Audited)
EQUITY AND LIABILITIES			
Equity			
Share capital	*17*	**1,170,031**	1,164,741
Reserves		**16,586,084**	16,523,280
Equity attributable to owners of the Company		**17,756,115**	17,688,021
Non-controlling interests		**373,050**	477,210
Total Equity		**18,129,165**	18,165,231
LIABILITIES			
Non-current Liabilities			
Borrowings		**15,000**	15,000
Deferred tax liabilities		**158,079**	111,747
Deferred income		**404,276**	418,843
Other long-term liabilities		**95,875**	194,323
Financial liabilities at FVTPL	*15*	**14,780**	—
Lease liabilities		**741,370**	—
		1,429,380	739,913
Current Liabilities			
Trade and other payables	*14*	**2,476,835**	2,610,553
Amounts due to related parties		**11,902**	12,015
Derivative financial instruments	*16*	**103,302**	153,292
Contract liabilities		**697,160**	681,863
Borrowings		**1,294,936**	120,000
Income tax payables		**167,165**	184,335
Financial liabilities at FVTPL	*15*	**17,605**	—
Lease liabilities		**100,973**	—
		4,869,878	3,762,058
Total Liabilities		**6,299,258**	4,501,971
Total Equity and Liabilities		**24,428,423**	22,667,202

1. GENERAL INFORMATION

The Company was incorporated in the PRC on March 1, 2017 as a joint stock limited liability company under the PRC laws upon the conversion of WuXi AppTec Ltd. (formerly known as WuXi PharmaTechs Co., Ltd.), a company with limited liability incorporated in the PRC in December 2000. The Company completed its initial public offering and listing of 104,198,556 A Shares on The Shanghai Stock Exchange (stock code: 603259.SH) on May 8, 2018. The Company completed its public offering and listing of 116,474,200 H Shares on the Main Board of the Hong Kong Stock Exchange, (stock code: HK 2359) on December 13, 2018 and issued 5,321,200 over-allotment H Shares on January 9, 2019. The address of the registered office of the Company is Mashan No.5 Bridge, Binhu District, Wuxi, Jiangsu Province, the PRC and the principal place of business of the Company is 288 Fute Zhong Road, Waigaoqiao Free Trade Zone, Shanghai, the PRC. The Company is ultimately controlled by Dr. Ge Li, Dr. Ning Zhao, the spouse of Dr. Ge Li, Mr. Xiaozhong Liu and Mr. Zhaohui Zhang, who are all acting in concert (collectively known as "ultimate Controlling Shareholders").

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

The functional currency of the Company is RMB, which is the same as the presentation currency of the unaudited condensed consolidated financial statements.

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

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board ("IASB") as well as with the applicable disclosure requirements of Appendix 16 to the Listing Rules.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

In the current interim period, the Group has applied, for the first time, the following new and amendments to IFRSs issued by the IASB which are mandatory effective for the annual period beginning on or after January 1, 2019 for the preparation of the Group's condensed consolidated financial statements:

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

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

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

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

	Carrying amounts previously reported at December 31, 2018 *RMB'000*	Adjustments *RMB'000*	Carrying amounts under IFRS 16 at January 1, 2019 *RMB'000*
Current Liabilities			
Lease liabilities	—	161,885	161,885
Non-current Liabilities			
Lease liabilities	—	629,093	629,093
Other long-term liabilities	194,323	(54,183)	140,140

4. OPERATING SEGMENT INFORMATION

Operating segments are determined based on the Group's internal reports which are submitted to Chief Executive Officer, being the chief operating decision maker 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 five operating segments as follows.

China-based laboratory services	Services include small molecules discovery, such as synthetic chemistry, medicinal chemistry, analytical chemistry, biology, DMPK/ADME, toxicology and bioanalytical services.
U.S.-based laboratory services	Services include expert solution for medical devices safety testing services and comprehensive manufacturing and testing for cell and gene therapies.
Clinical research and other CRO services	Clinical research services include clinical development services and SMO services. Clinical development services include project planning, clinical operation and monitoring and managements of phase I-IV clinical trials, outcomes research and medical device trials; embedded outsourcing; and clinical informatics, respectively. SMO services include project management and clinical site management services.

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

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

	Six months ended June 30, 2019 (Unaudited)					
	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	**2,988,906**	**709,821**	**472,067**	**1,717,729**	**5,835**	**5,894,358**
Segment results	**1,301,418**	**190,611**	**91,635**	**697,973**	**1,954**	**2,283,591**
Unallocated amount:						
Other income						**124,873**
Other gains and losses						**(22,493)**
Impairment losses under ECL model, net of reversal						**(1,152)**
Selling and marketing expenses						**(208,514)**
Administrative expenses						**(671,239)**
Research and development expenses						**(243,622)**
Share of profits of associates						**72,978**
Share of losses of joint ventures						**(20,202)**
Finance costs						**(32,753)**
Group's profit before tax						**1,281,467**

	Six months ended June 30, 2018 (Audited)					
	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	2,416,292	546,081	231,154	1,209,385	6,295	4,409,207
Segment results	1,084,491	125,193	55,362	489,230	1,833	1,756,109
Unallocated amount:						
Other income						54,729
Other gains and losses						389,632
Impairment losses under ECL model, net of reversal						5,648
Selling and marketing expenses						(152,680)
Administrative expenses						(435,261)
Research and development expenses						(177,525)
Share of profits of associates						38,652
Share of losses of joint ventures						(8,752)
Finance costs						(45,521)
Group's profit before tax						1,425,031

Entity-wide disclosure

Geographical information

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

	Six months ended June 30,	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Revenue		
— PRC	**1,360,137**	1,180,287
— Asia-others	**219,016**	117,932
— USA	**3,639,938**	2,331,089
— Europe	**588,642**	719,105
— Rest of the world	**86,625**	60,794
	5,894,358	4,409,207

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

	At	At
	June 30,	December 31,
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
— PRC	**7,366,092**	6,295,753
— Rest of the world	**2,976,561**	2,229,125
	10,342,653	8,524,878

Non-current assets excluding deferred tax assets, financial assets at FVTPL and derivative financial instruments.

5. REVENUE

The Group derives its revenue from the transfer of goods and services over time and at a point in time in the following major service lines. This is consistent with the revenue information that is disclosed for each reportable segment under IFRS 8 — Operating Segments in Note 4.

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

	Six months ended June 30,	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Revenue		
— China-based laboratory services	**2,988,906**	2,416,292
— U.S.-based laboratory services	**709,821**	546,081
— Clinical research and other CRO services	**472,067**	231,154
— CMO/CDMO services	**1,717,729**	1,209,385
— Others	**5,835**	6,295
	5,894,358	4,409,207

Timing of revenue recognition

	Six months ended June 30,	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Over time		
— China-based laboratory services	**2,431,672**	2,053,153
— U.S.-based laboratory services	**709,821**	546,081
— Clinical research and other CRO services	**472,067**	231,154
— CMO/CDMO services	**167,813**	86,639
— Others	**5,660**	6,207
At a point in time		
— China-based laboratory services	**557,234**	363,139
— CMO/CDMO services	**1,549,916**	1,122,746
— Others	**175**	88
	5,894,358	4,409,207

6. OTHER INCOME

	Six months ended June 30,	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Interest income	**51,843**	5,697
Government grants and subsidies related to		
— asset (i)	**33,786**	18,282
— income (ii)	**35,182**	27,445
Dividend income arising from		
— financial assets at FVTPL	**4,062**	3,305
	124,873	54,729

Notes:

i. The Group has received certain government grants and subsidies to invest in laboratory equipment. The grants and subsidies were recognized in profit or loss over the useful lives of the relevant assets.

ii. The government grants and subsidies related to income have been received to compensate for the Group's research and development expenditures. Some of the grants related to income have future related costs expected to be incurred and require the Group to comply with conditions attached to the grants and the government to acknowledge the compliance of these conditions. These grants related to income are recognized in profit or loss when related costs are subsequently incurred and the Group receives government acknowledge of compliance. Other government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss when received by the Group.

7. OTHER GAINS AND LOSSES

	Six months ended June 30,	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Net foreign exchange loss	**(33,302)**	(19,062)
Loss on disposal of plant and equipment	**(1,378)**	(2,593)
Loss on disposal of other intangible assets	**(658)**	—
Fair value gain on financial assets at FVTPL	**18,602**	461,423
Loss on derivative financial instruments (unrealized)	**(9,604)**	(51,991)
Loss on derivative financial instruments (realized)	**(1,213)**	—
Gain on disposal of financial assets at FVTPL	**6,922**	—
Others	**(1,862)**	1,855
	(22,493)	389,632

8. INCOME TAX EXPENSES

	Six months ended June 30,	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Current tax:		
— PRC	**177,373**	157,185
— Hong Kong	**11,185**	3,341
— USA	**8,663**	1,637
— Rest of world	**124**	1,227
	197,345	163,390
Over provision in respect of prior years		
— PRC	**(20,958)**	(18,771)
	(20,958)	(18,771)
Deferred tax:		
— Current period	**115**	(23,658)
	176,502	120,961

9. PROFIT FOR THE PERIOD

Profit for the period have been arrived at after charging:

	Six months ended June 30,	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Depreciation for plant and equipment	**351,065**	275,920
Depreciation for right-of-use assets	**66,184**	—
Amortization of other intangible assets	**26,987**	21,382
Amortization of prepaid lease payments	**—**	1,665
Expense relating to short-term leases	**3,397**	—
Expense relating to leases of low-value assets that are not shown as short-term leases	**118**	—
Staff cost (including directors' emoluments):		
— Salaries and other benefits	**1,588,453**	1,103,187
— Retirement benefit scheme contributions	**176,038**	141,364
— Equity-settled share-based payments	**67,990**	12,001
— Cash-settled share-based payments	**7,324**	6,220
Less: capitalized in inventories and contract costs	**(393,695)**	(280,835)
	1,893,861	1,280,904
Auditor's remuneration	**2,943**	3,070

10. DIVIDENDS

On June 3, 2019, 2018 Profit Distribution Plan of the Company was approved at the 2018 annual general meeting, 2019 first session of A Share Class Meeting and 2019 first session of H Share Class Meeting. Pursuant to the Plan, a final dividend of RMB0.58002 per share in respect of the year ended 31 December 2018 (six months ended June 30, 2018: Nil) was declared to both holders of A Shares and H Shares and aggregate dividend amounted to RMB678,641,000 (six months ended June 30, 2018: Nil). A shares dividend of RMB607,676,000 (six months ended June 30, 2018: Nil) was paid by the Company during the current interim period and H shares dividend of RMB70,965,000 (six months ended June 30, 2018: Nil) was paid by the Company on July 2, 2019 subsequent to June 30, 2019.

The directors of the Company have determined that no dividend will be proposed or declared in respect of the current interim period (six months ended June 30, 2018: Nil).

11. EARNINGS PER SHARE

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

	Six months ended June 30,	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Earnings:		
Profit attributable to ordinary equity holders of the parent	**1,056,762**	1,271,898
Less: Cash dividends attribute to the shareholders of restricted shares expected to be unlocked in the future	**(2,681)**	—
Earnings for the purpose of calculating basic earnings per share	**1,054,081**	1,271,898
Effect of dilutive potential ordinary shares:		
Add: Cash dividends attribute to the shareholders of restricted shares expected to be unlocked in the future	**2,681**	—
Effect of share options issued by a subsidiary	**(11,694)**	(3,828)
Earnings for the purpose of calculating diluted earnings per share	**1,045,068**	1,268,070
Number of Shares (000):		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,628,964**	1,361,259
Effect of dilutive potential ordinary shares:		
Effect of restricted shares issued by the Company	**2,067**	—
Effect of over-allotment option	**329**	—
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**1,631,360**	1,361,259

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

The computation of diluted earnings per share for the six month ended June 30, 2019 is based on weighted average number of shares assumed to be in issue after taking into account the effect of restricted shares issued by the Company.

The computation of diluted earnings per share for the six month ended June 30, 2019 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 period.

The denominator for the purposes of calculating both basic and diluted earnings per share for the six months ended June 30, 2019 and 2018 have been adjusted to reflect the capitalisation issue completed on July 2, 2019 under the 2018 Profit Distribution Plan.

12. FINANCIAL ASSETS AT FVTPL

	At June 30, 2019 ***RMB'000*** **(Unaudited)**	At December 31, 2018 *RMB'000* (Audited)
Current assets		
Monetary fund investment	**1,053,399**	1,019,431
Structured deposits	**901,745**	1,105,903
Financial products	**1,197,215**	—
	3,152,359	2,125,334
Non-current assets		
Listed equity securities	**1,130,172**	940,958
Unlisted equity investments	**1,107,372**	883,925
Unlisted fund investments *(Note i)*	**278,896**	254,428
	2,516,440	2,079,311

Note:

i. 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.

13. TRADE AND OTHER RECEIVABLES/CONTRACT ASSETS

13.1 TRADE AND OTHER RECEIVABLES

	At June 30, 2019 *RMB'000* **(Unaudited)**	At December 31, 2018 *RMB'000* (Audited)
Trade receivables		
— third parties	**2,535,986**	2,015,622
Allowance for credit losses	**(38,412)**	(32,353)
	2,497,574	1,983,269
Other receivables	**—**	39,582
Note receivable	**4,757**	2,709
Prepayments	**94,569**	78,279
Interest receivables	**2,928**	1,297
Prepaid expense	**46,636**	42,798
Value added tax recoverable	**358,338**	344,760
Rental deposits	**9,226**	6,002
	516,454	475,845
Total trade and other receivables	**3,014,028**	2,498,696

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

	At June 30, 2019 *RMB'000* **(Unaudited)**	At December 31, 2018 *RMB'000* (Audited)
Within 180 days	**2,382,993**	1,808,734
181 days to 1 year	**85,917**	122,368
1 year to 2 years	**21,055**	45,547
More than 2 years	**12,366**	9,329
	2,502,331	1,985,978

13.2 CONTRACT ASSETS

	At June 30, 2019	At December 31, 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Contract assets	**325,129**	391,067
Allowance for credit losses	**(2,688)**	(6,537)
	322,441	384,530

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

The contract assets primarily relate to the Group's right to consideration for work completed and not billed because the rights are conditional on the Group's future performance in achieving specified milestones of the contracts at the reporting date. The contract assets are transferred to trade receivables when the rights become unconditional.

	Six months ended June 30,	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
(Reversal of)/impairment losses under ECL model on:		
Contract assets	**(3,849)**	23
Amounts due from related parties	**—**	(5,707)
Trade receivables	**5,001**	36
	1,152	(5,648)

14. TRADE AND OTHER PAYABLES

	At June 30, 2019	At December 31, 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade payables	**465,269**	379,362
Salary and bonus payables	**401,487**	548,389
Payables for acquisition of plant and equipment	**891,560**	770,516
Payables for acquisition of a property	**—**	234,808
Payable for acquisition of subsidiaries and a joint venture	**19,529**	5,000
Accrued expenses	**261,393**	279,244
Other taxes payable	**19,449**	19,589
Interest payable	**4,055**	166
Note payable	**16,346**	19,363
Others	**64,268**	80,142
Considerations received from employees for subscribing restricted A shares of the Company under the 2018 WuXi AppTec A Share Incentive Scheme	**269,979**	273,974
Dividend payable	**63,500**	—
	2,476,835	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 dates at the end of each reporting period:

	At June 30, 2019 ***RMB'000*** **(Unaudited)**	At December 31, 2018 *RMB'000* (Audited)
Within one year	**475,241**	393,163
1 year to 2 years	**3,062**	3,190
2 years to 3 years	**2,331**	883
More than 3 years	**981**	1,489
	481,615	398,725

15. FINANCIAL LIABILITIES AT FVTPL

	At June 30, 2019 ***RMB'000*** **(Unaudited)**	At December 31, 2018 *RMB'000* (Audited)
Current liabilities		
Contingent consideration *(Note i)*	**17,605**	—
Non-current liabilities		
Contingent consideration *(Note i)*	**14,780**	—

Note:

i. 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).

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

16. DERIVATIVE FINANCIAL INSTRUMENTS

	At June 30, 2019 *RMB'000* (Unaudited)	At December 31, 2018 *RMB'000* (Audited)
Current assets		
Derivatives under hedge accounting		
Cash flow hedges — Foreign currency forward contracts	**6,973**	6,335
Other derivatives (not under hedge accounting)		
Foreign currency forward contracts and collar contracts	**6,292**	30,719
	13,265	37,054
Non-Current assets		
Derivatives under hedge accounting		
Cash flow hedges — Foreign currency forward contracts	**605**	—
Current liabilities		
Derivatives under hedge accounting		
Cash flow hedges — Foreign currency forward contracts	**47,226**	81,426
Other derivatives (not under hedge accounting)		
Foreign currency forward contracts and collar contracts	**56,076**	71,866
	103,302	153,292

Derivatives under hedge accounting

It is the policy of the Group to enter into forward foreign exchange contracts to manage its foreign exchange rate risk arising from anticipated future foreign currency transactions up to 18 months, in particular, the exchange rate between USD and RMB, which are designated into cash flow hedges.

	Average strike rate as at June 30, 2019	**Foreign currency as at June 30, 2019** *USD'000*	**Notional value as at June 30, 2019** *RMB'000*	**Fair value assets as at June 30, 2019** *RMB'000*
Sell USD				
Less than 3 months	6.90	36,000	248,522	1,005
3 to 6 months	6.91	55,000	380,126	1,735
7 to 12 months	6.93	77,000	533,678	2,346
13 to 18 months	7.01	5,000	35,050	605
Buy RMB				
Less than 3 months	7.02	7,000	49,137	996
3 to 6 months	6.97	10,000	69,720	891

	Average strike rate as at June 30, 2019	**Foreign currency as at June 30, 2019** *USD'000*	**Notional value as at June 30, 2019** *RMB'000*	**Fair value liabilities as at June 30, 2019** *RMB'000*
Sell USD				
Less than 3 months	6.69	80,500	538,875	14,526
3 to 6 months	6.73	30,000	201,768	4,542
7 to 12 months	6.79	159,500	1,082,207	16,484
Buy RMB				
Less than 3 months	6.81	7,000	47,653	483
3 to 6 months	6.83	24,000	164,004	1,213
7 to 12 months	6.77	78,000	527,941	9,978

On August 31, 2018, the Group entered into a restructuring agreement with counter banks to terminate several forward contracts and replaced with new forward contracts and collar contracts. The group terminated the hedge accounting for those affected forward contracts. Since the hedged future transactions were still expected to occur, the accumulated hedging reserve amounted to RMB24,639,000 has remained in the hedging reserve until the anticipated cash flows occurs in the current interim period and then is reclassified to profit or loss for the six months ended June 30, 2019.

For the six months ended June 30, 2019, the aggregate amount of losses after tax under foreign exchange forward contracts recognized in other comprehensive income and accumulated in the cash flow hedging reserve relating to the exposure on anticipated future sales transactions denominated in USD of subsidiaries operating in the PRC is RMB9,323,000 (six months ended June 30, 2018: RMB42,642,000). It is anticipated that the sales will take place within next 18 months at which time the amount recognized in other comprehensive income will be reclassified to profit or loss.

For the six months ended June 30, 2019, the aggregate amount of losses after tax under foreign exchange forward contracts recognized in other comprehensive income and accumulated in cash flow hedging reserve relating to the exposure on anticipated future purchase transactions denominated in RMB of the subsidiary operating in Hong Kong is RMB19,958,000 (six months ended June 30, 2018: Nil). 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 the inventories. It is anticipated that the inventories will be sold soon after purchase, in which period the amount recognized in other comprehensive income will be reclassified to profit or loss.

As of June 30, 2019, no ineffectiveness has been recognized in profit or loss.

Other derivatives (not under hedge accounting)

The Group also entered into several foreign exchange forward contracts and collar contracts with banks in order to manage the Group's foreign currency exposure in relation to USD against RMB and did not elect to adopt hedge accounting for those contracts. The major terms of these contracts as at June 30, 2019 presented in the condensed consolidated financial statements are as follows:

Outstanding forward contracts	**Average strike rate as at June 30, 2019**	**Foreign currency as at June 30, 2019** *USD'000*	**Notional value as at June 30, 2019** *RMB'000*	**Fair value assets as at June 30, 2019** *RMB'000*
Buy RMB				
Less than 3 months	6.93	67,000	464,237	3,624
3 to 6 months	6.94	26,000	180,527	1,627
7 to 12 months	6.94	34,000	235,904	1,041

Outstanding forward contracts	Average strike rate as at June 30, 2019	Foreign currency as at June 30, 2019 *USD'000*	Notional value as at June 30, 2019 *RMB'000*	Fair value liabilities as at June 30, 2019 *RMB'000*
Buy RMB				
Less than 3 months	6.81	1,000	6,808	69
3 to 6 months	6.80	18,000	122,400	1,525
7 to 12 months	6.75	99,000	668,413	14,093

Outstanding collar contracts	Average strike rate 1* as at June 30, 2019	Average strike rate 2* as at June 30, 2019	Foreign currency as at June 30, 2019 *USD'000*	Notional value 1* as at June 30, 2019 *RMB'000*	Notional value 2* as at June 30, 2019 *RMB'000*	Fair value liabilities as at June 30, 2019 *RMB'000*
Sell USD						
3 to 6 months	6.00	6.51	60,000	360,000	390,360	22,750
Buy RMB						
Less than 3 months	5.80	6.54	21,000	121,800	137,340	7,263
3 to 6 months	5.80	6.54	30,000	174,000	196,200	10,376

* the Group will sell USD and buy RMB at strike rate 1 if the spot rate on the settlement date is at or below the strike rate 1 or no transaction if the spot rate on the settlement date is between the strike rate 1 and the strike rate 2 or the Group will sell USD and buy RMB at strike rate 2 if the spot rate on the settlement date is at or above the strike rate 2.

For the six months ended June 30, 2019, losses under forward foreign exchange contracts and collar contracts of RMB10,817,000 (six months ended June 30, 2018: RMB51,991,000) were recognised in other gains and losses.

17. SHARE CAPITAL

	RMB'000
Ordinary shares of RMB1.00 each	
At 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	**1,164,741**
Issue of H shares under the over-allotment option *(note i)*	**5,321**
Repurchase and cancellation of restricted A shares under the 2018 WuXi AppTec A Share Incentive Scheme *(note ii)*	**(31)**
At June 30, 2019	**1,170,031**

Note:

i. On January 4, 2019, the over-allotment option granted pursuant to the listing of the Company's H shares in the Hong Kong Stock Exchange was partially exercised by the joint global coordinators, on behalf of the international underwriters, in respect of an aggregate of 5,321,200 H shares. The over-allotment shares was issued and allotted by the Company at HKD68.0 per H Share on January 9, 2019 and HKD361,842,000 (equivalent to RMB316,318,000) total proceeds were received by the Company.

ii. Due to the resignation of certain subscribers of the 2018 WuXi AppTec A Share Incentive Scheme, the Company repurchased and cancelled a total of 31,347 shares granted but not yet vested restricted A shares from above subscribers at the repurchase price (as the grant price) of RMB45.53 per A share.

"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 therein
"2018 WuXi AppTec A Share Incentive Scheme"	the Restricted A Shares and Stock Option Incentive Plan of 2018 adopted by the Company on August 22, 2018
"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
"ADME"	absorption, distribution, metabolism, and excretion
"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
"ASU"	Analytical Service Unit
"Audit Committee"	the audit committee of the Board
"Board of Directors" or "Board"	our board of Directors
"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 interim results announcement 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", "Group", "our Group", "We" "our", "us"	WuXi AppTec Co.,Ltd* (無錫藥明康德新藥開發股份有限公司), a joint stock limited company incorporated under the laws of the PRC, the predecessor of which, WuXi AppTec Ltd. (無錫藥明康德新藥開發有限公司) (formerly known as WuXi PharmaTech Co., Ltd. (無錫藥明康德組合化學有限公司)) was established under the laws of the PRC as an enterprise legal person in December 2000, the A Shares of which are listed on the Shanghai Stock Exchange (stock code: 603259) and the H Shares of which are listed on the Hong Kong Stock Exchange (stock code: 02359) and if the context requires, includes its predecessor.
"CRO"	Contract Research Organization
"CTA"	Clinical Trial Authorization
"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
"FDA"	Food and Drug Administration in the U.S.
"FVTPL"	Fair Value Through Profit or Loss

"GMP"	Good Manufacturing Practice, a quality system imposed on pharmaceutical firms to ensure that products produced meet specific requirements for identity, strength, quality and purity, and enforced by public agencies, for example the U.S. FDA
"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
"Listing" or "IPO"	the listing of the H Shares on the Main Board of the Stock Exchange on December 13, 2018
"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
"NMPA"	National Medical Products Administration
"OECD"	Organization for Economic Co-operation and Development
"Prospectus"	the prospectus issued by the Company dated December 3, 2018
"RMB"	Renminbi, the lawful currency of the PRC
"Reporting Period"	the six months ended June 30, 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

"R&D"	research and development
"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 Shares"	Shares of STA
"Stock Exchange" or "Hong Kong Stock Exchange"	the Stock Exchange of Hong Kong Limited
"U.S."	the United States of America, its territories, its possession and all areas subject to its jurisdiction
"U.S. dollars", or "USD"	United States dollars, the lawful currency of the United States
"WXAT Shanghai"	WuXi AppTec (Shanghai) Co., Ltd. (上海藥明康德新藥開發有限公司)
"WIND"	WuXi IND
"%"	percentage

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

Hong Kong, August 19, 2019

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

* *for identification purposes only*