WUXI BIOLOGICS (CAYMAN) INC.
藥明生物技術有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2269)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2020

FINANCIAL HIGHLIGHTS

		Six months ended June 30,		
		2020	2019	Change
		RMB million	*RMB million*	
Revenue		**1,944.1**	1,607.1	21.0%
Gross profit		**787.3**	671.0	17.3%
Gross profit margin		***40.5%***	*41.8%*	
Operating profit		**411.1**	385.8	6.6%
Operating profit margin		***21.1%***	*24.0%*	
Net profit		**730.7**	449.5	62.6%
Net profit margin		***37.6%***	*28.0%*	
Adjusted net profit		**734.0**	521.5	40.7%
Adjusted net profit margin		***37.8%***	*32.4%*	
		RMB	*RMB*	
Earnings per share	— Basic	**0.57**	0.37	54.1%
	— Diluted	**0.53**	0.34	55.9%
Adjusted earnings per share	— Basic	**0.57**	0.42	35.7%
	— Diluted	**0.54**	0.39	38.5%

The Board resolved not to declare any interim dividend for the six months ended June 30, 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Overall Performance

During the Reporting Period, the Group continued to provide industry-leading biologics services enabling our clients and partners to discover, develop and manufacture biologics, and in particular COVID-19 treatments, in a cost-effective and time-sensitive manner. Despite a temporary disruption in our business operations as a result of the pandemic, the Group sustained its growth momentum by implementing its "Follow-the-Molecule" strategy and "Global Dual Sourcing within WuXi Bio" manufacturing paradigm.

- The total number of integrated projects increased by 27.7% from 224 as at the same time last year to 286 as at June 30, 2020.

- The total number of pre-clinical projects increased by 33.0% from 106 as at the same time last year to 141 as at June 30, 2020.

- The total number of early-phase (phase I and II) projects increased by 22.5% from 102 as at the same time last year to 125 (93 in phase I and 32 in phase II) as at June 30, 2020.

- The number of late-phase (phase III) projects increased by 26.7% from 15 as at the same time last year to 19 as at June 30, 2020.

- The Group also achieved great success in progressing projects from pre-IND stage to post-IND stage: 12 projects progressed from pre-clinical development stage to early-phase stage during the Reporting Period.

The following table sets forth the status of the on-going integrated projects of the Group as at June 30, 2020:

Biologics development process stage	Number of on-going integrated projects[1]	Typical duration	Typical Service Revenue[2]
Pre-IND			
— Drug discovery	—	2 years	US$1.5-2.5 mm
— Pre-clinical development	141	2 years	US$4-6 mm
Post-IND			
— Early-phase (phases I & II) clinical development	125	3 years	US$4-6 mm
— Phase I clinical development	93		
— Phase II clinical development	32		
— Late-phase (phase III) clinical development	19	3–5 years	US$20-50 mm
— Commercial manufacturing	1	Annually	US$50-100 mm[3]
Total	**286**		

Notes:

(1) Integrated projects are projects that require the Group to provide services across different divisions/ departments within the Group and across various stages of the biologics development process.

(2) Milestone fees can be paid at different research and development ("**R&D**") stages, while royalty fees will be charged for 5–10 years or until the patent expires once the new drug launches in the market.

(3) Estimated value when biologic drug reaches its peak sales. A biologic drug typically reaches its peak sales after a ramp-up period.

The Group's revenue for the six months ended June 30, 2020 increased by 21.0% year-on-year to RMB1,944.1 million, together with a 62.6% year-on-year growth in net profit to RMB730.7 million. The Group's total backlog, including the service backlog and upcoming potential milestone fees, also soared sharply by 104.4% from US$4,630.0 million as of June 30, 2019 to US$9,464.0 million as of June 30, 2020, of which service backlog increased by 232.5% from US$1,736.0 million to US$5,773.0 million and upcoming potential milestone fees increased 27.5% from US$2,894.0 million to US$3,691.0 million. The service backlog represents the revenue amount the Group has contracted but has yet to perform. The total upcoming potential milestone fees represent the total amount for upcoming milestone fees, which the Group has contracted but has not yet performed nor received. This milestone revenue may take longer to receive at the various development stages as it depends on the success rate and progress of the projects which may not be within the Group's control.

During the Reporting Period, the Group further diversified its customer base by working with 16 out of the 20 largest pharmaceutical companies in the world and 28 of the 50 largest pharmaceutical companies in China. The Group provided services to 264 customers for the six months ended June 30, 2020, compared with 194 customers for the same period last year. The Group believes that continuous capability and capacity expansion as well as cooperation with and commitment to its existing customers will enhance its value chain, thus allowing the Group to continue to capture opportunities in this growing market.

Overcoming Challenges Posed by COVID-19

Throughout the Reporting Period, the COVID-19 pandemic and its impact on public health and the global economy has captured the world's attention. In response to the pandemic, the Group immediately implemented its Business Continuity Plan to minimize and mitigate the impact on its business operations globally. In recognition of the resilience and commitment of our employees and management team to our business throughout tough times, all key milestones had been achieved for existing and new integrated projects undertaken by the Group. The Group's operations in mainland China quickly recovered and resumed its capacity as COVID-19 restrictions on operations eased.

At the same time, due to increasing demands, the Group took advantage of new business opportunities to discover, develop and manufacture biological therapeutics and vaccines for COVID-19. The Group assembled a large team of R&D scientists and cooperated with its global partners also seeking to develop potential new treatments for COVID-19. The Group assumed greater responsibilities and offered innovative solutions and unprecedented DNA-to-IND timelines to support its clients during this urgent endeavor.

Relying on its state-of-the-art technology platforms and robust global-quality supply network, the Group is among several biologics CDMOs that are uniquely qualified in expediting the development and manufacturing of potential treatments. The Group further substantially reduced its timeline of monoclonal antibody (**mAb**) projects from DNA to IND. During the Reporting Period, the Group has introduced more than 10 COVID-19 mAb projects to its pipeline and successfully enabled three COVID-19 antibody IND filings for its global customers. Moving forward, the Group will continue to apply its workforce and its industry-leading technology platforms to mitigate the impact of the COVID-19 pandemic and support its global clients and business partners.

Strategic Highlights

During the Reporting Period, amid the COVID-19 pandemic and its impact on the Group's business and operation, the Group has continued the effective execution of its "Follow-the-Molecule" strategy and "Global Dual Sourcing within WuXi Bio" manufacturing paradigm while substantially expanding our capabilities and capacity.

- The Group stepped up its investment and efforts to deploy more than 280,000 liters total planned biologics production capacity globally to fulfill its "Global Dual Sourcing within WuXi Bio" manufacturing paradigm. This paradigm enables the Group's partners to manufacture from facilities within the Group's global supply network throughout China, the EU and the U.S. to eliminate technical risks associated with inter-company technology transfer while ensuring their global biologics supply needs. Please also refer to the section headed "Capacity Expansion" for more information.

- The Group purchased from Bayer Aktiengesellschaft certain facility assets of the biologics drug product (**DP**) cGMP fill and finish manufacturing plant located in Leverkusen, Germany. This acquisition further expands the Group's DP manufacturing capacity to meet the growing global demand for biological therapeutics. For more details, please refer to the Company's announcements dated January 16, 2020 and January 20, 2020.

- The Group's vaccines CDMO business signed a strategic partnership manufacturing agreement with a global vaccine leader for an initial term of twenty years and a total contract value estimated to be over US$3 billion. Pursuant to this strategic agreement, the Group initiated an investment in a new integrated vaccine manufacturing facility in Ireland. This strategic partnership showcases the Group's technical strengths, premier quality standards and accomplishments in project execution. The vaccines business will contribute substantially to the Group's future overall business growth.

- The Group received 2020 CMO Leadership Awards from Life Science Leader for the third consecutive year in all six categories (Quality, Reliability, Service, Expertise, Capabilities and Compatibility) across both the Big Pharma and Overall groups. The highly-coveted, hard-earned honors underscore the Group's steadfast determination and unremitting pursuit of premier quality, first-class service, efficient execution, and rising influence for the global partners.

Technology Platforms

In order to establish itself as a technology leader in the global biologics industry, the Group pushes the frontier of technology platform innovations and improvements throughout the life cycle of biologics discovery, development and manufacturing. Armed with useful, valuable and differentiated cutting-edge technology platforms, the Group generates milestone and royalty revenues, while also bringing more biologics projects into its pipeline under the "Follow-the-Molecule" strategy.

Antibody-drug Conjugates

Antibody-drug Conjugates (**ADCs**) are new class of highly potent biologics composed of an antibody linked, via a chemical linker, to a biologically active drug or cytotoxic compound. Such extremely complex "guided missiles" carrying, for example, a powerful anti-cancer drug by an antibody, are often the last-attempted treatments. Compared to traditional chemotherapies and mAbs, ADCs show superior efficacy, lower off-target toxicity and a larger therapeutic window, and relevant studies show they helped patients whose survival outlooks were discouraging. During the 18 months to June 2020, four ADCs have been approved by the U.S. FDA, accounting for half of all approved ADCs in history. With the number of ADC candidates at unprecedented levels in clinical trials, the industry is optimistic that an ADC era may have arrived.

As a global leading biologics CDMO service provider, the Group gained considerable experience in working with numerous different antibody or other biological molecules, linker and payload chemistries, and combinations thereof, which uniquely qualified the Group to provide its partners with tailor-made options and solutions for development and manufacturing of ADCs. Through its world-class R&D efforts, the Group has also developed a novel linker for lysine-based conjugation that demonstrates higher reactivity, better solubility and a more flexible range of conjugation temperatures. A unique payload chemistry to provide more homogenous drug loading for cysteine-based conjugation was also developed. As of June 30, 2020, the Group has secured 30 ADC projects globally, 14 of them have reached IND stage.

The Group's new ADC facility, DP3, encompasses an area of approximately 6,000 square meters and provides integrated solutions from process development, technology transfer, pilot scale to cGMP production for ADCs and other complex protein conjugates, strictly complying with global quality standards. DP3 adopts the advanced fully isolated automatic aseptic filling system, which can produce 2/6/10/20/50 ml liquid and lyophilized products and provides the flexibility to meet the production requirements of global clinical trials and product launch.

Since its Good Manufacturing Practice (**GMP**) production release last year, DP3 has produced more than 30 GMP drug substance (**DS**) and DP lots. Furthermore, the scheduled production lot number in the second half year of 2020 is at least triple of that in the first half of 2020.

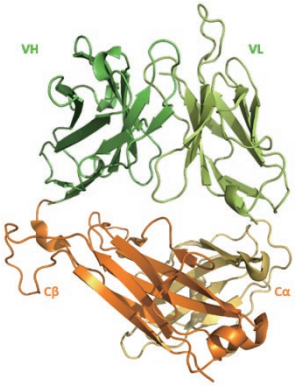
As a response to emerging and urgent demands from the global biologics industry, the Group has initiated a capacity expansion project at DP3. An additional lyophilizer of 10 square meter capacity is being added to the existing lyophilizer, thus the capacity of lyophilization will be tripled to meet the requirement from multiple late stage ADC development and manufacturing programs. In addition, some pilot operation areas are also being transformed into GMP suites to meet upcoming and complicated conjugation and formulation needs. It can provide segregated suite for special projects such as liposome and nanoparticle production.

Bispecific and Multispecific Antibodies

In a recent Nature Review article "multispecific drugs herald a new era of biopharmaceutical innovation" (Nature, April 2020), the promise of multispecific drugs, particularly bispecific and multispecific antibodies is reviewed. With currently more than 100 different bispecific formats available, and approximately 110 bispecific antibodies in clinical trials, many believe that bispecific and multispecific antibodies are the next-generation protein therapeutic for cancer and other diseases.

Despite how promising they are, bispecific antibodies have been difficult to develop because of their unique biology and complex structure compared with traditional mAbs. Utilizing the Group's extensive experience in antibody development and its top team of scientists, the Group developed and launched the innovative WuXiBody™ bispecific antibody platform, which allows complete flexibility and also permits almost any mAb pair to be easily joined to build a bispecific antibody.

For bispecific antibody therapeutic developers, the shortened development timelines and reduced cost available from using the WuXiBody™ platform provide a significant advantage. Furthermore, WuXiBody™ offers many other benefits, including high yield, high solubility, good stability in serum and increased in vivo half-life, amongst others. As of June 30, 2020, the WuXiBody™ platform has been widely used in 26 projects.



Since its market launch, WuXiBody™ has been steadily adopted in the industry. The Group's scientists have also been invited to present on the WuXiBody™ platform at various world renowned conferences focused on antibody therapeutics including but not limited to PEGS (Protein Engineering Summit) and the Antibody Engineering and Therapeutics Conference. Relevant businesses working with WuXiBody™ platform have delivered strong growth for the Group.

In addition to the widely recognized WuXiBody™ platform, leveraging leading technical capability of Variable Heavy Homodimers (**VHH**) libraries, advanced VHH immunization and humanization platforms and the deep understanding of disease and target biology, the Group's scientist team is also endeavoring to develop a cutting-edge VHH based multispecific antibody platform to enable our clients who are focusing on those therapeutic modalities.

Other proprietary technology platforms

In addition to the industry-leading technology platforms listed previously, the Group also offers various state-of-the-art platforms for biologics discovery, development and manufacturing.

WuXia, the Group's proprietary Chinese Hamster Ovary (**CHO**) cell line development platform enables the Group to conduct more than 80 IND-enabling projects per year, one of the largest capacities in the world. WuXia has provided more than 305 cell lines for pre-clinical development and beyond. Utilizing the Artificial Intelligence (**AI**) based codon optimization program, and proprietary expression vector system, in 9–10 weeks top 3 clones with high titers can be obtained and utilized for process development and cGMP manufacturing. Combined with the Group's European Medicines Agency (**EMA**) certified cGMP cell banking and cell line characterization services, the WuXia platform is ideal for the production of a variety of therapeutic proteins including mAbs, bispecific antibodies, fusion proteins and recombinant proteins.

WuXiUP, the Group's proprietary continuous manufacturing platform, utilizes 1,000–2,000L disposable bioreactors to achieve comparable productivity as a traditional 10,000–20,000L stainless steel bioreactor while still providing similar or even better purification yield. The WuXiUP platform accelerates biologics development and manufacturing, and improves the affordability of biologics. The intensified and continuous cell culture process used in this novel technology can be rapidly developed or converted from traditional fed-batch process while maintaining excellent scalability and robustness. Coupled with continuous product capture column chromatography, the WuXiUP platform enables continuous direct product capture with a similar or better purification yield as the traditional purification process for almost any kind of biologics. During the Reporting Period, this continuous direct product capture platform was established and successfully scaled up at the Shanghai site for production of clinical supplies with consistent process performance and product quality profiles. WuXiUP has been implemented in more than 20 projects for production of mAbs, bispecific antibodies, fusion proteins and enzymes achieving ultra-high productivity at lab scale.

Research and Development ("R&D")

During the Reporting Period, the Group's R&D team continuously focused on: (i) enhancing innovative biologics generation capabilities and optimizing several existing technological platforms, including traditional hybridoma technology, premium humanization and antibody optimization platforms, phage display technology, fully human antibodies, bispecifics, multispecifics, nanobodies and antibody fragments to expedite the discovery of novel therapeutic biologics; (ii) supporting the Group's global partners in using the proprietary bispecific antibody platform WuXiBody™, enabling them to considerably accelerate the development process of new bispecific biologics; (iii) enhancing the Group's in vitro and particularly in vivo biology capabilities and capacity to enable the screening, identification and characterization of desired biologics as drug development candidates; (iv) continuously identifying and prioritizing new areas of biologic innovation and developing proprietary technologies to enable the Group's clients to discover and develop differentiated novel biologic drugs; (v) continuously enhancing R&D capabilities in the design and discovery of best-in-class and novel preclinical candidates (**PCC**) driven by deep understanding of disease biology and target biology and mastery of state-of-the-art biologics engineering technologies; (vi) further expanding our service from PCC to preclinical development for IND enabling. Recently the Group provided rapid pre-clinical development service to multiple SARS-CoV-2 neutralization antibody projects for clients; and (vii) refining systems and structuring teams for more efficient business operations and optimized cost control to ensure the provision of quality and efficient technical solutions for clients.

The Group's R&D team has more than 320 scientists, many of whom have multiple years of biologics drug discovery experience at multinational pharmaceutical companies.

Manufacturing, Testing and Quality

Manufacturing

During the Reporting Period, the Group had three operational manufacturing and testing sites, conveniently located within driving distance of each other in Wuxi, Shanghai and Suzhou, China. Even though temporarily impacted by the pandemic in early 2020, the Group still achieved and exceeded its manufacturing goal with the teams empowered by the "WuXi Bio Grit" spirit. One of the keys to that success is maintaining constant and transparent communication with clients often via alternative video and web-based communication approaches that included establishing remote Person-in-Plant (**PIP**), remote due diligence and remote quality auditing processes.

The Group's Manufacturing Facility 1 (**MFG1**), the first and only biologics manufacturing facility in China approved by both the U.S. FDA and the EU EMA, maintained a high capacity utilization rate during the Reporting Period and despite the challenges of the first quarter still managed to successfully complete process performance qualification (**PPQ**) projects during the outbreak.

The Group's Manufacturing Facility 2 (**MFG2**) deploys fourteen 2,000L-capacity and two 1,000L-capacity disposable bioreactors. The combination of multiple single-use bioreactors offers a highly flexible manufacturing strategy and competitive cost structure compared with traditional stainless steel bioreactor facilities. MFG2 achieved a significant milestone during the Reporting Period by also completing the PPQ runs in April 2020.

With 7,000L bioreactor capacity at Manufacturing Facility 3 (**MFG3**), the Group's Shanghai site now offers complete one-stop biologics development and manufacturing services in one central location. Having both functions within the same location greatly streamlines clinical CMC activities even further to enable the Group's clients to reach their clinical manufacturing goals within the shortest time possible.

The Group's Manufacturing Facility 4 (**MFG4**), the first facility in China to use a 4,000L-capacity single use bioreactor, was GMP released in July 2019. In June 2020, MFG4 successfully completed the first 4,000L DS GMP production, representing a significant breakthrough in the biologics industry as the first time in Asia that the 4,000L single use bioreactor was used for GMP production.

The Group's Drug Product Facility 4 (**DP4**) was GMP released in July 2019. DP4 is the first robotic aseptic filling line for biologics in China and the second GMP released sterile filling DP facility of the Group for manufacturing both pre-filled syringe (**PFS**) and vial products for early stage clinical supplies. During the Reporting Period, it has successfully completed the filling of batches of PFS. The whole process was performed using the robotic filling isolator in a closed system without gloves or human intervention, delivering high-quality and controlled filling accuracy, as well as improved aseptic assurance.

Please also refer to the section headed "Technology Platforms" for our ADC facility.

Testing

During the Reporting Period, the Group's biosafety testing facility at Suzhou site continued to improve its operational excellence and significantly shortened the turnaround times for all the biosafety tests and viral clearance validation studies it conducted for our clients. Suzhou facility has also received an EMA GMP certificate, following that from China National Accreditation Service for Conformity Assessment (**CNAS**) and China Inspection Body and Laboratory Mandatory Approval (**CMA**). The EMA certificate is another great achievement for the Suzhou site's quality system and testing capability, and it also validates the Group's high level of quality commitment to our global clients.

Along with other business units, the Suzhou site actively deployed its high-quality biosafety testing platform to accelerate the testing process of various new biologics targeting the SARS-CoV-2 virus, including the earliest new neutralizing antibody against COVID-19 approved by China National Medical Products Administration (**NMPA**) for clinical trials.

Quality

The Quality Department, which includes quality assurance, quality control, global quality compliance, regulatory affairs and training center functions, is committed to the highest standard of regulatory compliance while providing high-quality services and products that meet customer needs.

The Quality Department is responsible for implementing the Group's global quality system and supervising quality operations to ensure GMP compliance within the Group's manufacturing environment. The Quality Assurance Department, as an independent function supervises the implementation of the quality strategy and quality plan. The department is also responsible for all quality and compliance-related decisions and for implementing all site quality management programs.

The Quality Control Department manages all material and product testing including environmental monitoring, analytical method qualification and validation, and support of process and cleaning validations. It uses modern laboratory electronic systems, such as lab information management systems (**LIMS**), to maximize efficiency and to perform data mapping risk assessments and establish control measures to ensure data integrity.

In response to its global expansion efforts, the Group established the Global Quality Compliance Department in late 2019. This department is responsible for global quality system, data governance and risk assessment, computer system quality, internal compliance and internal and external quality audits.

Capacity Expansion

To further our "Global Dual Sourcing within WuXi Bio" manufacturing paradigm, the Group devoted significant resources to expand its manufacturing capacity all over the world. During the Reporting Period, the Group's more than 280,000 liters global capacity expansion plan continued in a well-ordered and organized way despite the pandemic's impact.

Facility	Designed Capacity	Location	Comments
MFG5	60,000L fed-batch	Wuxi	Commercial
MFG6	6,000L perfusion	Ireland	Commercial
MFG7	48,000L fed-batch	Ireland	Commercial
MFG8	48,000L fed-batch	Shijiazhuang	Commercial
MFG9	6,000L fed-batch/perfusion	Wuxi	Clinical/Commercial
MFG10	4,500L fed-batch/perfusion	Singapore	Clinical/Commercial
MFG11	8,500L fed-batch	Worcester, MA	Clinical/Commercial
MFG12	48,000L fed-batch	Chengdu	Clinical/Commercial
MFG13	2,000L Viral	Hangzhou	Clinical/Commercial
MFG14	2,300L Microbial	Hangzhou	Clinical/Commercial
MFG18	2,000L fed-batch	Cranbury, NJ	Clinical

As mainland China reopened, the Group accelerated its capacity projects to get back on schedule. The Group's new site in the Fengxian district of Shanghai will become a comprehensive one-stop center for biologics discovery, development, clinical and commercial manufacturing. Phase I construction, which consists of a 34,000 square meter, six-story building that will house labs and facilities for biologics discovery and development, is expected to be completed in late 2020. Altogether, including the facilities of the site's later phases, this new state-of-the-art 150,000 square meters biologics center will be one of the largest facilities of its kind globally.

Construction of the Group's Ireland site (**MFG6** and **MFG7**), its first overseas site facility, is well under way by reaching its halfway point in June 2020. Once completed, this "Factory of the Future" will be one of the world's largest facilities using single-use bioreactors along with next generation continuous manufacturing process technology. The Group's vaccine facility in Ireland also made progress during the Reporting Period by completing modular lab installation.

To meet increasing demand from the U.S. market, the Group has taken steps to establish and expand its capacity in the U.S. during the Reporting Period. The Group recently signed a land purchase agreement and broke ground on a new biologics research and manufacturing facility (**MFG11**) in Worcester, Massachusetts, that is expected to be completed in 2022. The Group also recently leased a facility in King of Prussia, Pennsylvania, to establish a process development lab. In addition, the Group leased a facility (**MFG18**) in Cranbury, New Jersey, to begin development and clinical manufacturing activities.

Sales and Marketing

The Group takes a multichannel approach in achieving its marketing goals. The objectives of the marketing plan are to build awareness of the Group's brand and its open-access technology platforms and to communicate to the market the key technical, operational and business strategies of the Group. Marketing efforts strive to influence existing and potential clients to develop positive two-way communication with the Group in addition to furthering its overall business growth objectives.

The global COVID-19 pandemic dramatically influenced the way the Group interacted with its clients and partners as more digital and web-based methods were employed. Through the first half of 2020, as all major conferences and trade events globally were cancelled and as client on-site meetings were now considered high-risk, the Group adapted quickly to the new digital and web-based meeting options that were provided by conference providers, clients and the Group's own digital meeting tools. For example, the Group was still able to participate in events like BIO 2020 and BioEurope using web-based and digital communication platforms. Not letting the lack of face-to-face meetings impact our outreach endeavors, the Group increased its efforts to contact executives and other key industry leaders from biopharma and pharma companies worldwide to keep communication channels open and flowing.

During the Reporting Period, the Group used multiple digital marketing and promotional strategies that included advertisements, company press releases, social media, webinars, podcasts and email marketing and advertising to promote its various technologies, including the exciting WuXiBody™ bispecific antibody platform, proprietary WuXia cell line development system, novel formulation and fill capabilities, facility expansions throughout China, Europe and the United States, "Global Dual Sourcing within WuXi Bio" strategy and the WuXiUP continuous manufacturing platform. Using this digital and global multichannel marketing approach to highlight its differentiated competitive strengths, the Group once again solidified its role as the world's leading premier supplier and partner in the biologics industry.

Strategic Collaboration with Global Partners

In spite of limitations caused by the pandemic, the Group continued to establish strategic partnerships by leveraging cutting-edge technologies, best-in-industry timelines, an excellent track record and unparalleled capacity during the Reporting Period.

- Strategic collaboration with Almirall, S.A., a leading skin health-focused global pharmaceutical company listed on the Spanish Stock Exchange (Stock code: ALM), to enable Almirall to leverage the Group's various technology platforms including the proprietary WuXiBody™ platform to develop bispecific antibodies for dermatological diseases. The Group will receive an upfront payment as well as development, regulatory and commercial milestone payments for each bispecific antibody generated from this platform, and will also be entitled to royalties based on global sales generated by these projects.

- Development and manufacturing collaboration with Vir Biotechnology, Inc. (Nasdaq: VIR), a clinical-stage immunology company focused on combining immunologic insights with cutting-edge technologies to treat and prevent serious infectious diseases, to advance and produce human monoclonal antibodies for the potential treatment of COVID-19.

- Strategic collaboration with Aravive, Inc. (NASDAQ: ARAV), a clinical-stage biopharmaceutical company, by which the Group shall grant Aravive the right to use the proprietary WuXiBody™ platform to develop high-affinity bispecific antibodies for a target implicated in cancer and fibrosis.

Future Outlook

This year began with significant business developments and plans for the future, yet was met with the unpredictable consequences of a global pandemic that disrupted not only our operations, but those of the global pharmaceutical industry as companies sought to implement and adhere to emergency management plans, social distancing guidelines and delayed regulatory processes.

Despite this unprecedented pandemic, the biologics community continues to strive to develop and produce treatments and vaccines that will allow the world to be restored to its full social and working capacity. There are reports of approximately one hundred candidate vaccines for COVID-19 being developed and that some of which have already begun clinical trials. In addition, the industry is responding with a multitude of novel therapies to neutralize the virus or symptoms associated with COVID-19 infection. To accommodate these new projects in a short time frame, biologics outsourcing is being viewed as indispensable due to its inherent flexibility and capacity advantages.

In addition to the surge in COVID-19 projects, there has been a significant trend among both small- and medium-sized biotechnology and big pharmaceutical companies to increase the amount of discovery, development and manufacturing work that they outsource. Despite the temporary impact on outsourcing brought about by the pandemic, the global biologics outsourcing market is estimated to grow at a remarkable rate in the coming several years, mirroring growth in the underlying biologics market.

The biologics industry is characterized by rapidly changing technological paradigms, access to exponentially growing data, collaboration and expertise, especially for next generation biologics, such as ADCs and bispecific antibodies. Developing sophisticated in-house infrastructure with specific expertise and know-how in advanced biologics is not only costly, but also risky for pharmaceutical companies. The biologics industry has gradually accepted that it should maintain the most important core functions and competencies in-house, while outsourcing other functions to experienced single-source CDMOs. For small- and medium-sized biotechnology companies with limited manufacturing capabilities, the one-stop-shop model is particularly attractive because, a single outsourcing partner will handle much of the development and scale-up work, reduce pipeline risk and increase operating flexibility. At the same time, big pharmaceutical companies tend to seek a deeper strategic partnership with integrated CDMOs in order to shed assets and drive down costs.

In recent years, China has issued a series of policies to support the development of innovative biologics, such as the Pilot Program of the System of the Holders of Drug Marketing Licenses, priority review and patent compensation given to novel drugs, data protection of drug trials, etc. These policies removed political barriers and sped up the R&D process for innovative biologics, which along with innovative technologies has become a hotspot for industrial capital. As a result, pharmaceutical companies with strong R&D and manufacturing capabilities for innovative biologics will stand out and they will have unprecedented opportunities for development. After the pandemic, there will be a stronger focus on R&D of innovative biologics and heavier investments in new biotechnology. It is believed that in the next decade, the R&D of innovative biologics in the PRC will advance the entire CDMO industry.

As a leading global single-source biologics CDMO, the Group will maintain its strong growth in the coming years by being a technology leader, providing access to manufacturing capabilities and technologies that may not be available to companies in-house, and serving as a fast-speed and low-cost outsourcing provider, allowing clients to reduce time and costs in the face of increasing market pressures. The Group offers end-to-end solutions empowering anyone and any company to discover, develop and manufacture biologics from concept to commercial manufacturing in a cost-effective and time-sensitive manner.

Looking ahead to the remainder of 2020, the Group will continue to build the most comprehensive capability and technology platform in the global biologics industry to implement the "Follow-the-Molecule" strategy and fulfill the "Global Dual Sourcing within WuXi Bio" manufacturing paradigm to enable global clients and partners and benefit patients world-wide.

Financial Review

Revenue

The revenue of the Group increased by 21.0% from approximately RMB1,607.1 million for the six months ended June 30, 2019 to approximately RMB1,944.1 million for the six months ended June 30, 2020. The increase was mainly attributed to (i) immediate and effective implementation of Business Continuity Plan to minimize the impact of the COVID-19 pandemic on its business and operations; (ii) strong growth in development and manufacturing revenue resulting from improved utilization of existing sites; and (iii) more customer projects were added to the Group's pipeline, expediting the development and manufacturing of potential treatments related to COVID-19 in support of its global customers.

The revenue of the Group has maintained growth during the Reporting Period. The Group derived a vast majority of its revenue from providing services to customers headquartered in North America and the PRC. The table below shows the revenue distribution by countries/regions:

	Six months ended June 30,			
	2020		2019	
Revenue	***RMB million***	***%***	*RMB million*	*%*
— North America	**878.2**	**45.2%**	846.7	52.7%
— PRC	**815.7**	**42.0%**	569.2	35.4%
— Europe	**122.7**	**6.3%**	112.3	7.0%
— Rest of the world *(Note)*	**127.5**	**6.5%**	78.9	4.9%
Total	**1,944.1**	**100.0%**	1,607.1	100.0%

Note: Rest of the world primarily includes Singapore, Japan, South Korea, Israel and Australia.

For the six months ended June 30, 2020, the pre-IND services revenue of the Group increased by 18.2% to approximately RMB963.2 million, accounting for 49.5% of the total revenue. On the other hand, the post-IND services revenue of the Group increased by 20.8% to approximately RMB956.6 million, accounting for 49.2% of the total revenue, as a result of more projects progressing from pre-IND to subsequent stages such as early-phase and late-phase stages by implementing the "Follow-the-Molecule" strategy.

The following table sets forth a breakdown of the Group's revenue by pre-IND services, post-IND services and others for the periods indicated:

	Six months ended June 30,			
	2020		2019	
	RMB million	***%***	*RMB million*	*%*
Pre-IND services	**963.2**	**49.5%**	815.2	50.7%
Post-IND services	**956.6**	**49.2%**	791.9	49.3%
Others *(Note)*	**24.3**	**1.3%**	—	—
Total	**1,944.1**	**100.0%**	1,607.1	100.0%

Note: Others represent the revenue from Pinghu U-Pure Biosciences Co., Ltd. ("**U-Pure**") and BestChrom (Shanghai) Biosciences Co., Ltd. ("**BestChrom**"), two non-wholly owned subsidiaries which were acquired in the second half of 2019. U-Pure and BestChrom primarily engage in production and sale of biologics purification medium and chromatographic column.

Cost of Sales and Services

The cost of sales and services of the Group increased by 23.6% from approximately RMB936.1 million for the six months ended June 30, 2019 to approximately RMB1,156.8 million for the six months ended June 30, 2020. The increase of the cost of sales and services was in line with the Group's revenue growth.

The cost of sales and services of the Group consists of direct labor costs, cost of raw materials and overhead. Direct labor costs primarily consist of salaries, bonuses, social security costs and share-based compensation for the employees in the Group's business units. Cost of raw materials primarily consists of the purchase cost of raw materials used in the Group's services rendering and manufacturing. Overhead primarily consists of depreciation charges of the facilities and equipment in use, outsourced testing service fees, utilities and maintenance, etc.

Gross Profit and Gross Profit Margin

The gross profit of the Group increased by 17.3% from approximately RMB671.0 million for the six months ended June 30, 2019 to approximately RMB787.3 million for the six months ended June 30, 2020, primarily attributable to (i) the Group's robust increase in the number of integrated projects and improvement in capacity utilization; (ii) operational efficiency and cost optimization at our existing manufacturing facilities; (iii) favourable impact from the appreciation of USD against RMB. The Group's gross profit margin decreased from 41.8% for the six months ended June 30, 2019 to 40.5% for the six months ended June 30, 2020. The slight decrease in the gross profit margin was driven by (i) the ramp-up of three new sites which commenced production from the second half of 2019, allowing the Group to gain new capabilities and capacities for biologics and ADC and a new state-of-the-art drug product fill facility; and (ii) the increase of shared-based compensation costs.

Other Income

The other income of the Group mainly consists of government grants and interest income from banks and other financial assets at amortized cost. Other income of the Group increased by 19.9% from approximately RMB123.8 million for the six months ended June 30, 2019 to approximately RMB148.4 million for the six months ended June 30, 2020, primarily due to the increase in government grants.

Other Gains and Losses

The other gains and losses of the Group primarily include gains or losses from foreign exchange and derivate financial instruments, fair value change on financial assets at fair value through profit or loss ("**FVTPL**"), investment income from wealth management products purchased, etc. The net other gains of the Group increased by 1,284.7% from approximately RMB16.3 million for the six months ended June 30, 2019 to approximately RMB225.7 million for the six months ended June 30, 2020, primarily due to (i) an increase in foreign exchange gain amounting to approximately RMB113.8 million, which was principally generated from revaluation of the foreign currencies denominated assets and liabilities of the Group, especially favorable impact from USD appreciated against RMB and Euro appreciated against USD during the Reporting Period; (ii) gain on fair value change of investments in the equity securities amounting to approximately RMB67.0 million; and (iii) an increase in investment income from wealth management products purchased amounting to approximately RMB24.0 million.

Impairment Losses Under Expected Credit Loss Model, Net of Reversal

Impairment losses under Expected Credit Loss ("**ECL**") model, net of reversal of the Group represent loss allowances on the Group's financial assets (including trade and other receivables and contract assets) under ECL model. Impairment losses under ECL model, net of reversal of the Group increased from approximately RMB9.6 million for the six months ended June 30, 2019 to approximately RMB56.6 million for the six months ended June 30, 2020. The increase was mainly due to more provision has been accrued given the adverse impact of COVID-19 on the global economy. The Company has continuously managed the collection of trade receivables by actively negotiating with its customers on overdue receivables. Subsequently, a total amount of approximately RMB843.0 million has been collected before the Announcement, as the result of the collection efforts.

Selling and Marketing Expenses

The selling and marketing expenses of the Group increased by 84.4% from approximately RMB26.3 million for the six months ended June 30, 2019 to approximately RMB48.5 million for the six months ended June 30, 2020, and the proportion of the selling and marketing expenses to the Group's total revenue increased to 2.5% for the six months ended June 30, 2020, as compared to 1.6% for the six months ended June 30, 2019. Both increases were mainly due to (i) our continuous efforts to enhance the capability of the Group's business development to keep dominant in the growing global market; and (ii) the amortization of customer relationship in intangible assets which was generated from the acquisition of U-pure and BestChrom in the second half of 2019.

Administrative Expenses

The Group's administrative expenses increased by 35.9% from approximately RMB149.7 million for the six months ended June 30, 2019 to approximately RMB203.4 million for the six months ended June 30, 2020, primarily due to (i) the increase of staff related costs and administrative expenses to support the set-up of new sites in the U.S. and Europe and the Group's expansion into new business such as vaccines, ADC production and microbial; and (ii) to strengthen the Group's corporate infrastructures such as IT infrastructure and enterprise solutions.

Research and Development Expenses

The research and development expenses of the Group increased by 14.0% from approximately RMB109.1 million for the six months ended June 30, 2019 to approximately RMB124.4 million for the six months ended June 30, 2020, as a result of our enhanced investment in innovation and technologies to intensify the Group's core competitiveness in the evolving industry.

Finance Costs

The finance costs of the Group mainly include interest expenses on lease liabilities and bank borrowings. The finance costs of the Group increased by 387.0% from approximately RMB4.6 million for the six months ended June 30, 2019 to approximately RMB22.4 million for the six months ended June 30, 2020, mainly due to (i) the Group has utilized the bank loans as financing measures from the second half of 2019; and (ii) new lease agreements have been entered into, in line with the Group's business expansion around the world.

Income Tax (Credit) Expense

The Group recorded a credit amount of approximately RMB(25.6) million income tax expense, which consisted of (i) regular income tax expense of approximately RMB95.1 million for the six months ended June 30, 2020; and (ii) a tax refund from local authorities of approximately RMB120.7 million. Excluding the tax refund impact, the effective income tax rate was approximately 13.5% for the six months ended June 30, 2020, which was quite stable as compared to approximately 14.0% for the six months ended June 30, 2019.

Net Profit and Net Profit Margin

As a result of the foregoings, the net profit of the Group increased by 62.6% from approximately RMB449.5 million for the six months ended June 30, 2019 to approximately RMB730.7 million for the six months ended June 30, 2020. The net profit margin of the Group for the six months ended June 30, 2020 was 37.6%, as compared to 28.0% for the six months ended June 30, 2019. The increase in net profit margin was primarily due to (i) the Group's robust increase in the number of integrated projects and as a result, strong growth in revenue and gross profit; (ii) gains from investments and foreign exchange fluctuation; and (iii) income tax refund, which was partially offset by the increases in administrative expenses and impairment losses on the Group's financial assets (including trade and other receivables and contract assets).

The profit attributable to owners of the Company increased by 63.6% from approximately RMB450.0 million for the six months ended June 30, 2019 to approximately RMB736.1 million for the six months ended June 30, 2020. The margin of profit attributable to owners of the Company increased from 28.0% for the six months ended June 30, 2019 to 37.9% for the six months ended June 30, 2020. The increases followed the same set of reasons as discussed above.

Basic and Diluted Earnings Per Share

The basic earnings per share of the Group increased by 54.1% from RMB0.37 for the six months ended June 30, 2019 to RMB0.57 for the six months ended June 30, 2020. The diluted earnings per share of the Group increased by 55.9% from RMB0.34 for the six months ended June 30, 2019 to RMB0.53 for the six months ended June 30, 2020. The increase in the basic and diluted earnings per share was primarily due to the increase in the net profit resulting from the strong business growth of the Group as discussed above.

Property, Plant and Equipment

The balance of the property, plant and equipment of the Group increased by 44.3% from approximately RMB6,338.5 million as at December 31, 2019 to approximately RMB9,144.5 million as at June 30, 2020, primarily as a result of (i) on-going facility construction of the Group's various sites, including Ireland sites (**MFG6** and **MFG7**); and (ii) the asset acquisition for the Group's drug product manufacturing facility in Germany, all following the Group's "Global Dual Sourcing within WuXi Bio" manufacturing paradigm.

Right-of-Use Assets

The balance of the right-of-use assets of the Group increased by 94.7% from approximately RMB457.9 million as at December 31, 2019 to approximately RMB891.5 million as at June 30, 2020, primarily due to the start of some new lease agreements during the Reporting Period.

Intangible Assets

The intangible assets of the Group mainly consist of technology and customer relationship recognized from the acquisition of U-Pure and BestChrom, and patent and license of the Group.

Intangible assets decreased by 2.5% from approximately RMB415.8 million as at December 31, 2019 to approximately RMB405.6 million as at June 30, 2020, along with the amortization in the Reporting Period.

Investment in an Associate/Share of Loss of an Associate

The investment in an associate of the Group represented 8.13% equity interest invested in Shanghai Duoning Biotechnology Co., Ltd. ("**Duoning**") in the year of 2019.

Investment in Duoning amounted to approximately RMB31.4 million as at June 30, 2020, representing a slight increase of 1.6% as compared to approximately RMB30.9 million as at December 31, 2019.

Equity Instruments at Fair Value Through Other Comprehensive Income ("FVTOCI")

Equity instruments at FVTOCI of the Group mainly included 19.9% of the equity interests in Tysana Pte. Ltd. ("**Tysana**") and Privus Biologics, LLC ("**Privus**") respectively, which were subscribed by the Group in the year of 2018.

Equity instruments at FVTOCI amounted to approximately RMB140.9 million as at June 30, 2020, representing a slight increase of 1.5% as compared to approximately RMB138.8 million as at December 31, 2019, mainly due to the exchange alignment of USD in which these equity instruments were denominated.

Financial Assets at FVTPL (Current Portion & Non-current Portion)

The financial assets at FVTPL in the current assets of the Group mainly included the wealth management products purchased from several banks, most of which were principal guaranteed. The financial assets at FVTPL in the current assets of the Group increased to approximately RMB970.6 million as at June 30, 2020, as compared to approximately RMB85.0 million as at December 31, 2019, mainly as the Group has purchased more wealth management products from various different banks to improve the return of cash on hand.

The financial assets at FVTPL in the non-current assets of the Group mainly included the investments of the equity securities. The financial assets at FVTPL in the non-current assets of the Group increased by 37.7% from approximately RMB282.5 million as at December 31, 2019 to approximately RMB389.0 million as at June 30, 2020, mainly due to (i) purchase of 10,416,667 Series A Preferred Shares of Invetx Inc. ("**Invetx**") for a cash consideration of US$5.0 million (equivalent to approximately RMB35.0 million) in February 2020; and (ii) net gains on fair value change of these investments amounting to approximately RMB67.0 million.

Other Financial Assets

The other financial assets of the Group mainly included the wealth management products purchased from several banks, with guaranteed principal and variable interest rates designated at London Interbank Offered Rate ("**LIBOR**").

The other financial assets of the Group decreased by 67.2% from approximately RMB458.0 million as at December 31, 2019 to approximately RMB150.0 million as at June 30, 2020, mainly due to redemption of these wealth management products after maturity during the Reporting Period.

Inventories

The inventories of the Group increased by 53.2% from approximately RMB399.4 million as at December 31, 2019 to approximately RMB611.8 million as at June 30, 2020, mainly due to (i) along with the Group's business growth; and (ii) more raw materials are reserved in stock in advance to tackle with the inconvenience of procurement and transportation of raw materials because of COVID-19.

Contract Costs

The contract costs of the Group increased by 39.5% from approximately RMB284.2 million as at December 31, 2019 to approximately RMB396.6 million as at June 30, 2020, mainly in line with the increment of on-going projects.

Trade and Other Receivables

The trade and other receivables of the Group increased by 37.6% from approximately RMB1,736.7 million as at December 31, 2019 to approximately RMB2,389.0 million as at June 30, 2020, primarily due to (i) an increase in trade receivables amounting to approximately RMB327.0 million, as a result of revenue growth and a little slow down in collection because of COVID-19; (ii) an increase in receivables for purchase of raw materials on behalf of customers amounting to approximately RMB137.8 million, in line with the increment of integrated projects; and (iii) an increase in deductible value added tax input amounting to approximately RMB117.4 million, arising from assets acquisition in Germany.

Contract Assets

The contract assets of the Group increased by 144.8% from approximately RMB40.0 million as at December 31, 2019 to approximately RMB97.9 million as at June 30, 2020. The increase was in line with the Group's revenue growth.

Trade and Other Payables (Current Portion & Non-current Portion)

The aggregated trade and other payables in the current liabilities and non-current liabilities of the Group increased by 33.6% from approximately RMB1,843.7 million as at December 31, 2019 to approximately RMB2,462.4 million as at June 30, 2020, primarily due to that (i) additional instalment of US$45.0 million (equivalent to approximately RMB318.6 million) received from a vaccine partner in February and June 2020; (ii) an increase in trade payables amounting to approximately RMB169.6 million, in line with the increment of raw material reserve; and (iii) an increase in other payables amounting to approximately RMB124.2 million, in line with the Group's business expansion, which was partially offset by a decrease in salary and bonus payables of approximately RMB62.6 million, as the bonus accrued at the end of 2019 has been paid off during the Reporting Period.

The trade and other payables in the non-current liabilities of the Group represented the total instalment received from the vaccine partner of US$100.0 million (equivalent to approximately RMB708.0 million as at June 30, 2020) (as at December 31, 2019: the first instalment received amounting to US$55.0 million (equivalent to approximately RMB390.1 million) was presented in trade and other payables in the current liabilities).

Contract Liabilities

The contract liabilities of the Group increased by 37.2% from approximately RMB336.4 million as at December 31, 2019 to approximately RMB461.4 million as at June 30, 2020, in line with the Group's business growth.

Lease Liabilities (Current Portion & Non-current Portion)

The aggregated lease liabilities of the Group increased by 149.8% from approximately RMB292.6 million as at December 31, 2019 to approximately RMB730.8 million as at June 30, 2020, primarily due to more plants and offices have been leased to support the Group's business expansion globally, especially in Germany and the U.S..

Liquidity and Capital Resources

The Group's time deposit and bank balances and cash amounted to approximately RMB4,255.2 million as at June 30, 2020, as compared to approximately RMB6,205.5 million as at December 31, 2019. The decrease was mainly due to (i) an increase in payment for purchase of property, plant and equipment, along with the Group's facility expansion; and (ii) an increase in purchase of wealth management products, presented as financial assets at FVTPL, which was partially offset by the net proceeds of bank borrowings (after deducting repayment).

Treasury Policy

Currently, the Group follows a set of funding and treasury policies to manage its capital resources and prevent risks involved. The Group expects to fund its working capital and other capital requirements from a combination of various sources, including but not limited to internal financing and external financing at reasonable market rates. In order to better control and minimize the cost of funds, the Group's treasury activities are centralized and all cash transactions are dealt with the state-owned banks and international banks with good reputation.

The Group's treasury policies are also designated to mitigate the impact of fluctuations in foreign currency exchange rates arising from the Group's global operations. The cash and cash equivalents held by the Group are mainly composed of RMB and USD. The Group principally uses foreign currency forward contracts to hedge the foreign currency risks in the ordinary course of business.

Significant Investments, Material Acquisitions and Disposals

As at June 30, 2020, there was no significant investment held by the Company, nor were there any material acquisitions or disposals of subsidiaries, associates and joint ventures during the Reporting Period.

Indebtedness

Borrowings

The aggregated borrowings of the Group increased by 55.2% from approximately RMB1,901.3 million as at December 31, 2019 to approximately RMB2,950.3 million as at June 30, 2020, mainly due to more bank facilities have been utilized to support the continuous business expansion, especially the construction activities overseas.

Of the total borrowings as at June 30, 2020, RMB denominated borrowings amounted to approximately RMB229.7 million with the effective interest rate ranging from 3.70% to 4.90% per annum; USD denominated borrowings amounted to approximately RMB 2,492.0 million with the effective interest rate ranging from 1.27% to 3.14% per annum; and Euro denominated borrowings amounted to approximately RMB228.6 million with the effective interest rate around 1.50% per annum, respectively.

Including approximately RMB745.9 million will be due within one year; approximately RMB646.4 million will be due in more than one year but within two years; approximately RMB1,514.3 million will be due in more than two years but within five years; and approximately RMB43.7 million will be due after five years.

As at June 30, 2020, RMB denominated borrowings of approximately RMB89.7 million will be secured against the Group's buildings. The remaining borrowings were unsecured.

Contingent Liabilities and Guarantees

As at June 30, 2020, the Group did not have any material contingent liabilities or guarantees.

Currency Risk

Following the "Global Dual Sourcing within WuXi Bio" manufacturing paradigm, the Group has accelerated its business expansion around the world. The Group's entities are exposed to foreign exchange risk of foreign currencies other than their functional currencies, primarily with respect to USD.

During the Reporting Period, a majority of the Group's revenue was generated from sales denominated in USD, while most of the purchase activities of raw materials, property, plant and equipment and expenditures were settled in RMB (in China) and in Euro (in Ireland and Germany). As a result, the Group's operating margins were impacted when the foreign exchange rates fluctuated, especially between USD vs. RMB and USD vs. Euro.

The Group seeks to limit its exposure to foreign currency risk by closely monitoring and minimizing its net foreign currency position. The Group has engaged in a series of forward contracts to manage its currency risk. Hedge accounting is also adopted by the Group for derivatives to mitigate the impact on profit or loss due to the fluctuation in foreign currencies.

Charges of Assets

The Group pledged the bank deposits as collateral for the banks to issue (i) the letter of credit for the Group's purchase of property, plant and equipment; and (ii) the letter of guarantee for the facility construction in Ireland. As at June 30, 2020, the pledged bank deposits amounted to approximately RMB528.8 million, representing an increase by 22.5% from approximately RMB431.6 million as at December 31, 2019, primarily due to an increase in bank deposits pledged for construction in Ireland.

Furthermore, as at June 30, 2020, the Group will pledge its buildings with carrying amounts of approximately RMB184.1 million for the borrowing of approximately RMB89.7 million in China. The property certificates of these buildings have not been finalized yet, and pledge will take effective once the documents are ready.

Gearing Ratio

Gearing ratio is calculated using interest-bearing borrowings divided by total equity and multiplied by 100%. Gearing ratio increased from 14.7% as at December 31, 2019 to 21.4% as at June 30 2020, mainly due to the increment of borrowings in the Reporting Period.

Non-IFRS Measures

To supplement the Group's condensed consolidated financial statements which are presented in accordance with the IFRS, the Company has provided adjusted net profit, adjusted net profit margin, adjusted EBITDA, adjusted EBITDA margin and adjusted basic and diluted earnings per share as additional financial measures, which are not required by, or presented in accordance with, the IFRS.

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

Additional information is provided below to reconcile adjusted net profit, EBITDA and adjusted EBITDA.

Adjusted Net Profit

	Six months ended June 30,	
	2020	2019
	RMB million	*RMB million*
Net Profit	**730.7**	449.5
Add: Share-based compensation expense	**126.4**	81.3
Less: Foreign exchange gain	**(123.1)**	(9.3)
Adjusted Net Profit *(Note)*	**734.0**	521.5
Adjusted Net Profit Margin	***37.8%***	*32.4%*
	RMB	RMB
Adjusted Earnings Per Share		
— Basic	**0.57**	0.42
— Diluted	**0.54**	0.39

Note: In order to better reflect the key performance of the Group's current business and operations, the adjusted net profit is calculated on the basis of net profit, excluding:

(i) share-based compensation expense, a non-cash expenditure; and

(ii) foreign exchange gain, primarily generated from revaluation of the assets and liabilities denominated in foreign currencies and the fair value change of foreign currency forward contracts, which the management believes is irrelevant to the Group's core business.

EBITDA and Adjusted EBITDA

	Six months ended June 30,	
	2020	2019
	RMB million	*RMB million*
Net Profit	**730.7**	449.5
Add: Income tax (credit) expense	**(25.6)**	62.6
Interest expense	**22.4**	4.6
Depreciation	**197.8**	150.2
Amortization	**16.1**	8.5
EBITDA	**941.4**	675.4
EBITDA Margin	***48.4%***	*42.0%*
Add: Share-based compensation expense	**126.4**	81.3
Less: Foreign exchange gain	**(123.1)**	(9.3)
Adjusted EBITDA	**944.7**	747.4
Adjusted EBITDA Margin	***48.6%***	*46.5%*

Employees and Remuneration Policies

As at June 30, 2020, the Group employed a workforce totaling 5,694 employees: 2,437 were located in Shanghai; 2,663 were located in Wuxi, Jiangsu Province; 254 were located in Suzhou, Jiangsu Province; 18 were located in Shijiazhuang, Hebei Province; 87 were located in Hangzhou, Zhejiang Province; 4 were located in Chengdu, Sichuan Province and 231 were located overseas. The staff costs, including Directors' emoluments but excluding any contributions to (i) retirement benefit scheme contributions; and (ii) share-based payment expenses, were approximately RMB649.3 million for the six months ended June 30, 2020, as compared to approximately RMB462.2 million for the six months ended June 30, 2019. The remuneration package of employees generally includes salary and bonus elements. In general, the Group determines the remuneration package based on the qualifications, position and performance of its employees. The Group also makes contributions to social insurance fund, including basic pension insurance, medical insurance, unemployment insurance, childbirth insurance, work-related injury insurance funds, and housing reserve fund as applicable to the countries where the Group operates.

The Group has adopted the Pre-IPO Share Option Scheme and the Restricted Share Award Scheme to provide incentive or reward to eligible participants for their contribution or potential contribution to the Group.

In addition, the Group has an effective training system for its employees, including orientation and continuous on-the-job training, to accelerate the learning progress and improve the knowledge and skill levels of its workforce. Its orientation process covers subjects, such as corporate culture and policies, work ethics, introduction to the biologics development process, quality management, and occupational safety, and its periodic on-the-job training covers streamlined technical know-hows of its integrated services, environmental, health and safety management systems and mandatory training required by the applicable laws and regulations.

Interim Dividend

The Board resolved not to declare any interim dividend for the six months ended June 30, 2020.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of Shareholders and to enhance corporate value and accountability. The Company has adopted the CG Code as set out in Appendix 14 to the Listing Rules as its own code of corporate governance. The Company has complied with all the code provisions as set out in the CG Code throughout the six months ended June 30, 2020. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Written Guidelines on no less exacting terms than the Model Code as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, all of them have confirmed that they have complied with the Model Code and the Written Guidelines throughout the Reporting Period. In order to ensure strict compliance of the Listing Rules and enhance corporate governance measures, the Company will remind all Directors as to their respective obligations under the Listing Rules in all aspects, including but not limited to the restrictions in dealing with Company's securities. No incident of non-compliance of the Guidelines for Securities Transactions by Employees (員工證券交易管理辦法) by the employees who are likely to be in possession of inside information of the Company was noted by the Company.

USE OF PROCEEDS FROM LISTING

The total proceeds from the issue of new Shares by the Company in its Listing (after deducting the underwriting fees and related expenses) amounted to approximately RMB3,437.8 million. The net proceeds from the Listing (adjusted on a pro rata basis based on the actual net proceeds) have been fully utilized in accordance with the purposes set out in the Prospectus as at December 31, 2019.

USE OF PROCEEDS FROM PLACING

On March 21, 2018, the Company entered into a placing agreement with Morgan Stanley & Co. International plc (the "**Placing Agent**"), pursuant to which the Placing Agent agreed to place 57,000,000 shares (or, failing which, to purchase itself as principal) on a fully underwritten basis to not less than six independent investors (the "**First Placing**"). The First Placing price was HK$70.00 per share.

The net proceeds from the First Placing were approximately RMB3,186.7 million, which have been and will be used for the future expansion of the Group, including the capital requirements to increase its laboratory and manufacturing capacity, as disclosed in the announcement of the Company dated March 22, 2018. The table below sets out the planned applications of the net proceeds and actual usage up to June 30, 2020:

Use of proceeds	Planned applications *(RMB million)*	Percentage of total net proceeds	Actual usage up to June 30, 2020 *(RMB million)*	Net proceeds brought forward for the Reporting Period *(RMB million)*	Unutilized net proceeds as at June 30, 2020 *(RMB million)*	Expected timeline for utilizing the remaining unutilized net proceeds[(1)]
To construct new facilities and existing facility improvement and maintenance	3,186.7	100%	2,998.5	1,692.2	188.2	By the end of 2020

Note:

(1) The expected timeline for utilizing the remaining proceeds is based on the best estimation of the future market conditions made by the Group. It will be subject to change based on the current and future development of market conditions.

On October 31, 2019, the Company entered into a placing agreement with the Placing Agent, pursuant to which the Placing Agent agreed to place 46,500,000 shares (or, failing which, to purchase itself as principal) on a fully underwritten basis to not less than six independent investors (the "**Second Placing**"). The Second Placing price was HK$85.00 per share.

The net proceeds from the Second Placing were approximately RMB3,512.2 million, which will be used for the future expansion of the Group, including the capital requirements to support its development of vaccines and microbial based products as well as continuous global capacity expansion, as disclosed in the announcement of the Company dated November 1, 2019. The table below sets out the planned applications of the net proceeds and actual usage up to June 30, 2020:

Use of proceeds	Planned applications *(RMB million)*	Percentage of total net proceeds	Actual usage up to June 30, 2020 *(RMB million)*	Net proceeds brought forward for the Reporting Period *(RMB million)*	Unutilized net proceeds as at June 30, 2020 *(RMB million)*	Expected timeline for utilizing the remaining unutilized net proceeds[(1)]
To support its development of vaccines and microbial based products as well as continuous global capacity expansion	3,512.2	100%	—	3,512.2	3,512.2	By the end of 2022

Note:

(1) The expected timeline for utilizing the remaining proceeds is based on the best estimation of the future market conditions made by the Group. It will be subject to change based on the current and future development of market conditions.

On June 29, 2020, the Company entered into a placing agreement with the Placing Agent, pursuant to which the Placing Agent agreed to place 45,000,000 shares (or, failing which, to purchase itself as principal) on a fully underwritten basis to not less than six independent investors (the "**Third Placing**"). The Third Placing price was HK$137.00 per share.

The closing of the Third Placing took place on July 8, 2020, which is after the Reporting Period. The net proceeds from the Third Placing were approximately RMB5,545.8 million, which will be used for continuous global capacity expansion of the Group, including the construction of commercial manufacturing facilities in the United States for projects involving COVID-19 treatments and other related CDMO projects, acquisition of manufacturing facilities outside of the PRC and development of microbial facilities in the PRC, as well as for general corporate purposes of the Group, as disclosed in the announcement of the Company dated June 30, 2020. As of August 17, 2020, none of the net proceeds has been utilized by the Company. The expected timeline for utilizing the net proceeds of the Third Placing is by the end of 2023. Such timeline is based on the best estimation of the future market conditions made by the Group. It will be subject to change based on the current and future development of market conditions.

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

During the Reporting Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

REVIEW OF INTERIM RESULTS

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. The Audit Committee has jointly reviewed with the management and the independent auditors of the Company, the accounting principles and policies adopted by the Company and discussed internal control and financial reporting matters (including the review of the unaudited interim results for the six months ended June 30, 2020) of the Group. The Audit Committee and the independent auditors considered that the interim results are in compliance with the applicable accounting standards, laws and regulations, and the Company has made appropriate disclosures thereof.

KEY EVENT AFTER THE REPORTING PERIOD

The Group has the following event taken place subsequent to June 30, 2020:

- As announced by Hang Seng Indexes Company Limited on August 14, 2020, the Company has been selected as a constituent of the Hang Seng Index (HSI) with an index weight of 1.75% (ranking 13th among the 50 constituents), with effect on September 7, 2020. Being a company listed only for three years, the Company's inclusion as one of the three pharmaceutical companies in the HSI, the most representative and important benchmark as well as the most widely quoted indicator of the overall performance of the Hong Kong stock market, not only validated the capital market's recognition of the Group's leading market position in healthcare industry, robust fundamentals and strong financial performance but also demonstrated the successful implementation of its globalization strategy under the "Follow-the-Molecule" strategy and "Global Dual Sourcing within WuXi Bio" manufacturing paradigm.

PUBLICATION OF THE 2020 CONDENSED CONSOLIDATED INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the website of HKEX (www.hkexnews.hk) and the Company's website (www.wuxibiologics.com). In accordance with the requirements under the Listing Rules which are applicable to the Reporting Period, the interim report for the six months ended June 30, 2020 containing all the information about the Company set out in this preliminary announcement of results for the six months ended June 30, 2020 will be despatched to the Shareholders and published on the respective websites of HKEX and the Company in due course.

INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2020

The Board is pleased to announce the unaudited condensed consolidated interim results of the Group for the six months ended June 30, 2020, together with the comparative figures for the corresponding period in 2019 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2020

		Six months ended June 30,	
		2020	2019
	NOTES	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	4	**1,944,103**	1,607,070
Cost of sales and services		**(1,156,797)**	(936,059)
Gross profit		**787,306**	671,011
Other income	5	**148,429**	123,756
Other gains and losses	6	**225,716**	16,311
Impairment losses under expected credit loss model, net of reversal		**(56,587)**	(9,555)
Selling and marketing expenses		**(48,460)**	(26,345)
Administrative expenses		**(203,378)**	(149,709)
Research and development expenses		**(124,414)**	(109,120)
Share of (loss) profit of an associate		**(1,101)**	309
Finance costs	7	**(22,405)**	(4,611)
Profit before tax	8	**705,106**	512,047
Income tax credit (expense)	9	**25,598**	(62,563)
Profit for the period		**730,704**	449,484
Other comprehensive (expense) income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**(2,463)**	(1,240)
Fair value (loss) gain on hedging instruments designated in cash flow hedges, net of related income tax		**(49,568)**	294
Other comprehensive expense for the period		**(52,031)**	(946)
Total comprehensive income for the period		**678,673**	448,538

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2020

	NOTES	Six months ended June 30, 2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Profit (loss) for the period attributable to:			
Owners of the Company		**736,113**	450,042
Non-controlling interests		**(5,409)**	(558)
		730,704	449,484
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		**683,761**	449,096
Non-controlling interests		**(5,088)**	(558)
		678,673	448,538
		RMB	*RMB*
Earnings per share — Basic	11	**0.57**	0.37
— Diluted	11	**0.53**	0.34

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2020

	NOTES	**June 30, 2020** ***RMB'000*** **(Unaudited)**	December 31, 2019 *RMB'000* (Audited)
Non-current assets			
Property, plant and equipment	12	**9,144,456**	6,338,457
Right-of-use assets	12	**891,500**	457,930
Goodwill		**185,408**	185,408
Intangible assets		**405,555**	415,845
Investment in an associate		**31,398**	30,857
Equity instruments at fair value through other comprehensive income ("**FVTOCI**")		**140,882**	138,826
Financial assets at fair value through profit or loss ("**FVTPL**")	13	**388,991**	282,479
Derivative financial assets		**16,240**	—
Deferred tax assets		**58,742**	36,043
Other long-term deposits and prepayments		**48,218**	44,568
		11,311,390	7,930,413
Current assets			
Inventories	14	**611,762**	399,389
Trade and other receivables	15	**2,389,019**	1,736,659
Contract assets	16	**97,898**	39,981
Contract costs		**396,607**	284,235
Tax recoverable		**363**	10
Derivative financial assets		**12,231**	31,446
Financial assets at FVTPL	13	**970,574**	85,000
Other financial assets	17	**150,000**	458,000
Time deposit	18	**545,122**	—
Pledged bank deposits	18	**528,787**	431,640
Bank balances and cash	18	**3,710,106**	6,205,496
		9,412,469	9,671,856

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2020

	NOTES	**June 30, 2020** ***RMB'000*** **(Unaudited)**	December 31, 2019 *RMB'000* (Audited)
Current liabilities			
Trade and other payables	19	**1,754,447**	1,843,652
Borrowings	20	**745,924**	506,107
Contract liabilities		**461,407**	336,395
Income tax payable		**95,765**	142,149
Lease liabilities		**82,007**	26,489
Derivative financial liabilities		**35,370**	16,406
		3,174,920	2,871,198
Net current assets		**6,237,549**	6,800,658
Total assets less current liabilities		**17,548,939**	14,731,071
Non-current liabilities			
Deferred tax liabilities		**20,992**	24,734
Borrowings	20	**2,204,350**	1,395,240
Trade and other payables	19	**707,950**	—
Lease liabilities		**648,747**	266,112
Derivative financial liabilities		**27,550**	—
Deferred income		**160,783**	148,885
		3,770,372	1,834,971
Net assets		**13,778,567**	12,896,100
Capital and Reserves			
Share capital	21	**216**	214
Reserves		**13,634,187**	12,784,149
Equity attributable to owners of the Company		**13,634,403**	12,784,363
Non-controlling interests		**144,164**	111,737
Total equity		**13,778,567**	12,896,100

1. GENERAL INFORMATION

WuXi Biologics (Cayman) Inc. (the "**Company**") was established in the Cayman Islands as an exempted company with limited liability on February 27, 2014, and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since June 13, 2017. The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as "**the Group**") are principally engaged in provision of discovery, development and manufacturing of biologics services.

The functional currency of the Company is Renminbi ("**RMB**"), which is the same as the presentation currency of the condensed consolidated financial statements.

2. BASIS OF PREPARATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values at the end of the reporting period, as appropriate.

Other than changes in accounting policies resulting from application amendments to International Financial Reporting Standards ("**IFRSs**"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2020 are the same as those presented in the Group's annual financial statements for the year ended December 31, 2019.

Application of amendments to IFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in IFRS Standards and the following amendments to IFRSs issued by the IASB, for the first time, which are mandatory effective for the annual period beginning on or after January 1, 2020 for the preparation of the Group's condensed consolidated financial statements:

Amendments to IAS 1 and IAS 8	*Definition of Material*
Amendments to IFRS 3	*Definition of a Business*
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*

In addition, the Group has early applied the Amendments to IFRS 16 "Covid-19-Related Rent Concessions". The application has no impact to the opening retained earnings at January 1, 2020. The Group recognized changes in lease payments that resulted from rent concessions of RMB484,000 in the profit or loss for the current interim period.

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

4. REVENUE

For the purpose of resources allocation and performance assessment, the chief operating decision maker (i.e. the chief executive officer of the Company) reviews the overall results and financial position of the Group as a whole. Accordingly, the Group has only one single operating segment and no further analysis of this single segment is presented.

Geographical information

The Group's operations are primarily located in the PRC. An analysis of the Group's revenue from external customers, analyzed by their respective country/region of operation, is detailed below:

	Six months ended June 30,	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue		
— North America	**878,201**	846,749
— PRC	**815,731**	569,172
— Europe	**122,693**	112,260
— Rest of the world	**127,478**	78,889
	1,944,103	1,607,070

As at June 30, 2020, the Group's non-current assets located in Ireland, Germany and USA are amounted to RMB3,775,805,000, RMB874,141,000 and RMB295,765,000 (December 31, 2019: RMB2,088,621,000, nil and RMB18,156,000) respectively, the remaining of the non-current assets are primarily located in the PRC.

5. OTHER INCOME

	Six months ended June 30,	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest income from banks and other financial assets at amortized cost	**29,373**	29,632
Government grants related to		
— Assets *(i)*	**4,044**	3,392
— Income *(ii)*	**114,442**	76,968
Gain on non-refundable option fee	**—**	13,764
Others	**570**	—
	148,429	123,756

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

(ii) The government grants have been received for the Group's contribution to the local high-tech industry and economy. These grants are unconditional and accounted for as immediate financial support with neither future related costs expected to be incurred nor related to any assets.

6. OTHER GAINS AND LOSSES

	Six months ended June 30,	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Net foreign exchange gain (loss)	**123,050**	(2,607)
Gain on derivative financial instruments	**—**	11,885
Fair value gain on financial assets at FVTPL	**67,039**	—
Investment income from financial assets at FVTPL	**30,311**	6,301
Others	**5,316**	732
	225,716	16,311

7. FINANCE COSTS

	Six months ended June 30,	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest expense on bank borrowings	**32,313**	—
Interest expense on lease liabilities	**8,452**	5,708
Less: amounts capitalized	**(18,360)**	(1,097)
	22,405	4,611

Borrowing costs capitalized during the current interim period arose on the specific borrowings with interest rate of 1.29% and 3.14% per annum to expenditure on qualifying assets, respectively (2019: 1.5% and 3.33%).

8. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging (crediting) the following items:

	Six months ended June 30,	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Depreciation for property, plant and equipment	**169,681**	135,052
Depreciation for right-of-use assets	**28,054**	15,176
	197,735	150,228
Staff cost (including directors' emoluments):		
— Salaries and other benefits	**649,301**	462,165
— Retirement benefit scheme contributions	**33,037**	45,042
— Share-based payment expenses	**128,347**	81,899
	810,685	589,106
Impairment losses, net of reversal		
— Financial assets measured at amortized cost	**55,413**	4,784
— Contract assets	**1,174**	4,771
	56,587	9,555
Amortization of intangible assets	**16,126**	8,512
Covid-19-related rent concessions	**(484)**	—
Write-down of inventories (included in cost of sales and services)	**4,812**	1,638
Write-down of contract costs (included in cost of sales and services)	**20,170**	—
Loss on disposal of property, plant and equipment	**894**	610
Cost of inventories recognized as expense	**314,655**	288,625
Less: Capitalized in contract costs, property, plant and equipment	**(288,779)**	(259,387)

9. INCOME TAX (CREDIT) EXPENSE

	Six months ended June 30,	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax:		
— PRC Enterprise Income Tax ("**EIT**")	**107,343**	89,745
— Hong Kong Profits Tax	**1,479**	5,012
— US Federal and State Income Taxes	**—**	523
— UK Income Taxes	**—**	73
Over provision in prior years		
— EIT	**(107,979)**	(23,025)
	843	72,328
Deferred tax:		
— current period	**(26,441)**	(9,765)
	(25,598)	62,563

The Company is registered as an exempted company and as such is not subject to Cayman Islands taxation.

Under the two-tiered profits tax rates regime in Hong Kong, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of the group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the EIT rate of the PRC subsidiaries is 25%, with the exception of WuXi Biologics Co., Ltd. ("**WuXi Co.**"), WuXi Biologics (Shanghai) Co., Ltd. ("**Shanghai Biologics**"), WuXi Biologics (Suzhou) Co., Ltd. ("**Suzhou Biologics**") and U-Pure.

WuXi Co., Suzhou Biologics and U-Pure were accredited as a "High and New Technology Enterprise" and are therefore entitled to a preferential EIT rate of 15% for each of the two years ended December 31, 2020.

Shanghai Biologics was accredited as a "High and New Technology Enterprise" and is therefore entitled to preferential EIT rate of 12.5% and 15% for the year ended December 31, 2019 and 2020 respectively.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

10. DIVIDENDS

No dividends were paid, declared or proposed during the current interim period. The directors of the Company have resolved not to declare any interim dividend in respect of the interim period.

11. EARNINGS PER SHARE

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

	Six months ended June 30,	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings attributable to the owners of the Company:		
Earnings for the purpose of calculating basic and diluted earnings per share	**736,113**	450,042

	Six months ended June 30,	
	2020	2019
	(Unaudited)	(Unaudited)
Number of Shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,291,835,541**	1,228,412,653
Effect of dilutive potential ordinary shares:		
Share options	**82,544,832**	97,967,005
Restricted shares	**7,365,853**	2,946,501
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**1,381,746,226**	1,329,326,159

The computation of diluted earnings per share for the six months ended June 30, 2020 and 2019 does not assume the vesting of certain restricted shares granted since its fair value of services yet to be rendered is higher than the average share prices of the Company.

The weighted average number of ordinary shares show about have been arrived at after deducting the weighted average effect on 14,397,536 (December 31, 2019: 8,184,866) shares held by a trustee under Restricted Share Award Scheme.

12. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

During the current interim period, the Group acquired RMB2,976,730,000 (six months ended June 30, 2019: RMB847,533,000) of property, plant and equipment for the expansion of production facilities and distribution capacity.

During the current interim period, the Group entered into several new lease agreements for the use of premises from 2 to 20 years (six months ended June 30, 2019: 3 to 10 years). On lease commencement, the Group recognized right-of-use assets of RMB468,264,000 and lease liabilities of RMB464,925,000 (six months ended June 30, 2019: RMB28,005,000 and RMB27,695,000 respectively).

13. FINANCIAL ASSETS AT FVTPL

	As at	
	June 30, 2020	December 31, 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Current assets		
Wealth management products	**1,120,574**	543,000
Less: other financial assets *(Note 17)*	**(150,000)**	(458,000)
Financial assets at FVTPL *(Note i)*	**970,574**	85,000
Non-current assets		
Listed equity securities *(Note ii)*	**154,833**	—
Unlisted investments *(Note iii)*	**234,158**	282,479
	388,991	282,479

i. During the six months ended June 30, 2020, the Group entered into several contracts of wealth management products with several banks for periods up to one year. While most of the wealth management products are principal guaranteed, their returns were determined by reference to the performance of the underlying instruments in the currency market, the interbank market, the bond market, the security and equity market and the derivative financial assets. Thus, these wealth management products are recognized as financial assets at FVTPL. The fair value of these wealth management products were RMB970,574,000 as at June 30, 2020 (December 31, 2019: RMB85,000,000) and their expected return rates vary from 1.1% to 3.5% (December 31, 2019: 3.15% to 3.5%) per annum.

ii. In July 2019, the Group entered into an agreement to purchase 1,428,571 Series C-1 Preferred Shares of I-Mab for a cash consideration of US$10,000,000 (equivalent to approximately RMB68,737,000). In January 2020, I-Mab successfully completed the Initial Public Offering in NASDAQ market, the preferred shares were converted to 1,680,671 ordinary shares. Gain on fair value change of RMB84,156,000 was recognized for the equity securities in I-Mab for the current interim period based on the market value as at June 30, 2020. I-Mab is an exempted company incorporated with limited liability under the laws of the Cayman Islands and focuses on the business of discovery, development and commercialization of novel or highly differentiated biologics to treat diseases with significant unmet medical needs, particularly cancers and autoimmune disorders.

iii. In February 2020, the Group entered into an agreement to purchase 10,416,667 Series A Preferred Shares of Invetx Inc. ("**Invetx**") for a cash consideration of US$5,000,000 (equivalent to approximately RMB35,006,000). Invetx is an exempted company incorporated with limited liability under the laws of Cayman Islands and focuses on biopharmaceuticals that bring human biotechnology to animal health.

In May 2020, the Group entered into an agreement to purchase 1.818% equity interests of WuXi BioCity Pharma Co., Ltd ("**BioCity**") for a cash consideration of RMB30,000,000. BioCity is incorporated with limited liability under the laws of the PRC and focuses on biological drugs and drug formats. By June 30, 2020, the Group has not yet paid the consideration.

During the current interim period, the Group managed and evaluated the unlisted investment performance of preferred shares purchased on a fair value basis in accordance with the Group's investment strategy.

Movement of financial assets at FVTPL are as follows:

	Inhibrx	Canbridge	Virtuoso	I-Mab	BB Pureos	Invetx	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at January 1, 2019 (audited)	20,590	35,109	—	—	—	—	55,699
Addition	82,178	33,672	12,572	—	—	—	128,422
Exchange alignment	353	761	317	—	—	—	1,431
As at June 30, 2019 (unaudited)	103,121	69,542	12,889	—	—	—	185,552
Addition	—	—	—	68,737	21,184	—	89,921
Fair value change	—	6,468	—	—	(2,953)	—	3,515
Exchange alignment	1,522	993	191	1,025	(240)	—	3,491
As at December 31, 2019 and January 1, 2020 (audited)	104,643	77,003	13,080	69,762	17,991	—	282,479
Addition	—	—	—	—	—	35,006	35,006
Fair value change	1,562	(17,530)	—	84,156	(1,149)	—	67,039
Exchange alignment	1,548	1,158	194	915	260	392	4,467
As at June 30, 2020 (unaudited)	107,753	60,631	13,274	154,833	17,102	35,398	388,991

14. INVENTORIES

	As at	
	June 30, 2020	December 31, 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Raw material and consumables	**586,725**	347,173
Work in progress	**25,036**	43,874
Finished goods	**15,080**	18,609
Provision	**(15,079)**	(10,267)
Total	**611,762**	399,389

15. TRADE AND OTHER RECEIVABLES

	As at	
	June 30, 2020	December 31, 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables		
— related parties	**4,917**	4,184
Less: Allowance for credit losses	**(1)**	(22)
— third parties	**1,772,139**	1,394,856
Less: Allowance for credit losses	**(115,396)**	(64,378)
	1,661,659	1,334,640
Bill receivables from contracts with customers	**2,106**	2,248
Receivables for purchase of raw materials on behalf of customers		
— third parties	**226,164**	87,080
Less: Allowance for credit losses	**(2,425)**	(1,137)
	223,739	85,943
Other receivables	**49,257**	42,030
Advances to suppliers	**35,628**	21,565
Prepayments	**7,061**	4,096
Value added tax recoverable	**409,569**	246,137
	501,515	313,828
Total trade and other receivables	**2,389,019**	1,736,659

The Group allows a credit period ranging from 10 to 90 days to its customers. The following is an analysis of trade receivables by age (net of allowance for credit losses), presented based on the invoice dates:

	As at	
	June 30, 2020	December 31, 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Not past due	**894,606**	833,005
Within 90 days	**312,970**	309,276
91 days to 1 year	**430,400**	168,467
Over 1 year	**23,683**	23,892
	1,661,659	1,334,640

16. CONTRACT ASSETS

	As at	
	June 30, 2020	December 31, 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Contract assets		
— third parties	**107,422**	48,331
— loss allowance for contract assets	**(9,524)**	(8,350)
	97,898	39,981

The contract assets primarily relate to the Group's right to consideration for work completed and not billed because the rights are conditioned on the Group's future performance in achieving specified milestones as stipulated in the contracts.

17. OTHER FINANCIAL ASSETS

During the six months ended June 30, 2020, the Group entered into several contracts of wealth management products with banks. The unsettled wealth management products for a period of one to three months at amortized cost are amounting to RMB150,000,000 as at June 30,2020 (December 31,2019: RMB458,000,000). These wealth management products are principal guaranteed with variable interest rates designated at LIBOR and therefore are recognized as other financial assets at amortized costs. The interest rates ranged from 1.3% to 3.73% per annum (December 31, 2019: 3.2% to 3.8%).

18. BANK BALANCES AND CASH/PLEDGED BANK DEPOSITS/TIME DEPOSIT

Bank balances and cash of the Group comprised of cash and short term bank deposits with an original maturity of three months or less. The short term bank deposits carried interest at market rates which ranged from 0% to 3.2% per annum as at June 30, 2020 (December 31, 2019: from 0% to 3.32% per annum).

Certain deposits are pledged to banks as collateral for the issue of standby letter of credit in connection with the Group's purchase of property, plant and equipment and the letter of guarantee for the facility construction in Ireland.

As at June 30, 2020, the Group acquired a time deposit amounting to RMB545,122,000 with fixed interest rate of 2.11% per annum and maturity of six months.

19. TRADE AND OTHER PAYABLES

	As at	
	June 30, 2020	December 31, 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade payables		
— related parties	**23,427**	9,507
— third parties	**331,948**	176,303
	355,375	185,810
Other payables		
— related parties	**53**	736
— third parties	**341,524**	216,665
	341,577	217,401
Advance from customers *(Note)*	**722,109**	404,077
Advance from disposal of property, plant and equipment	**82,775**	47,641
Payable for purchase of property, plant and equipment	**731,631**	695,798
Consideration payables for acquisition of subsidiaries	**28,702**	28,702
Salary and bonus payables	**194,460**	257,043
Other taxes payable	**5,768**	7,180
	1,765,445	1,440,441
Trade and other payables	**2,462,397**	1,843,652
Less: Amounts shown under current liabilities	**(1,754,447)**	(1,843,652)
Amounts shown under non-current liabilities *(Note)*	**707,950**	—

Note: In May 2019, the Group entered into a letter of intent with an independent global vaccine leader (the "**Vaccine Partner**"), according to which the Group and the Vaccine Partner are contemplating entering into a contract manufacturing agreement (the "**Vaccine Manufacturing Agreement**") pursuant to which the Group shall build an integrated vaccine manufacturing facility in Ireland, and manufacture for, and supply to, the Vaccine Partner certain vaccine products. In December 2019, the Group received first instalment of US$55 million (equivalent to RMB389,373,000 as at June 30, 2020) and recognized the amount as "advance from customers". In February 2020, the Group has subsequently entered into the Vaccine Manufacturing Agreement with the Vaccine Partner. In February and June 2020, the Group received additional instalments of US$45 million (equivalent to RMB318,577,000) from the Vaccine Partner. As of June 30, 2020, total RMB707,950,000 of advance from the Vaccine Partner were classified as non-current liabilities due to the remaining construction period for the manufacturing facility is over twelve months.

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 presented based on invoice date at the end of the reporting period:

	As at	
	June 30, 2020	December 31, 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within three months	**332,207**	165,838
Over three months but within one year	**22,688**	18,764
Over one year	**480**	1,208
	355,375	185,810

20. BORROWINGS

	As at	
	June 30, 2020	December 31, 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Secured bank loans	**89,700**	—
Unsecured bank loans	**2,860,574**	1,901,347
	2,950,274	1,901,347
The carrying amounts of the above borrowings are repayable*:		
Within one year	**745,924**	506,107
Within a period of more than one year but not exceeding two years	**646,355**	139,524
Within a period of more than two years but not exceeding five years	**1,514,295**	1,255,716
Exceeding five years	**43,700**	—
	2,950,274	1,901,347
Less: Amounts due within one year shown under current liabilities	**(745,924)**	(506,107)
Amounts shown under non-current liabilities	**2,204,350**	1,395,240

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

The exposure of the Group's bank borrowings are as follows:

	As at	
	June 30, 2020	December 31, 2019
	RMB'000	*RMB'000*
Fixed-rate borrowings	**229,700**	280,000
Variable-rate borrowings	**2,720,574**	1,621,347
	2,950,274	1,901,347

The Group's variable-rate borrowings carry interest at LIBOR plus 1.2% and European Central Bank Rate plus 1.5%. Interest is reset each one to three months based on the contracts.

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	As at	
	June 30, 2020	December 31, 2019
Effective interest rate:		
Fixed-rate borrowings	**3.70% to 4.90%**	3.70% to 3.92%
Variable-rate borrowings	**1.27% to 3.14%**	1.50% to 3.33%

As at June 30, 2020, the Group's borrowings will be secured by the assets after obtaining the property certificates with carrying amounts as follows:

	As at	
	June 30, 2020	December 31, 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Property, plant and equipment	**184,061**	—

21. SHARE CAPITAL

	Number of shares	Amount *US$*
ORDINARY SHARES OF US$0.000025 EACH AUTHORIZED:		
At June 30, 2020, December 31, 2019 and January 1, 2019	2,000,000,000	50,000

ISSUED AND FULLY PAID:

	Number of shares	Amount *US$*	Shown in the financial statements as *RMB'000*
At January 1, 2019 (audited)	1,225,941,390	30,649	202
Issue of new shares	8,184,866	205	1
Exercise of pre-IPO share options	4,348,319	109	1
At June 30, 2019 (unaudited)	1,238,474,575	30,963	204
Issue of new shares	46,500,000	1,163	9
Exercise of pre-IPO share options	9,551,411	238	1
At December 31, 2019 and January 1, 2020 (audited)	1,294,525,986	32,364	214
Issue of new shares *(Note)*	6,882,141	172	1
Exercise of pre-IPO share options	8,271,303	206	1
At June 30, 2020 (unaudited)	1,309,679,430	32,742	216

Note: On June 1, 2020, the Company issued and allotted 6,882,141 new ordinary shares at nil consideration to trustee under the Restricted Share Award Scheme.

All the shares issued by the Company ranked pari passu in all respects.

"Audit Committee"	the audit committee of the Board
"Biologics Holdings"	WuXi Biologics Holdings Limited, a company incorporated under the laws of the British Virgin Islands on December 17, 2015 with limited liability, and a substantial shareholder of the Company
"Board" or "Board of Directors"	the board of Directors of the Company
"Business Continuity Plan"	the business continuity plan as adopted by the Group in light of the COVID-19 pandemic and its impact
"CDMO"	Contract development and manufacturing organization
"CG Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"cGMP"	Current Good Manufacturing Practice regulations, regulations enforced by the Food and Drug Administration of the United States on pharmaceutical and biotech firms to ensure that the products produced meet specific requirements for identity, strength, quality and purity
"Chairman"	the Chairman of the Board
"China" or the "PRC"	the People's Republic of China excluding, for the purpose of this announcement, Hong Kong, Macau Special Administrative Region and Taiwan
"Company"	WuXi Biologics (Cayman) Inc. (藥明生物技術有限公司*), an exempted company incorporated in the Cayman Islands with limited liability on February 27, 2014
"Director(s)"	the director(s) of the Company
"DNA"	a molecule that carries most of the genetic instructions used in the development, functioning and reproduction of all known living organisms and many viruses

"Founding Individuals"	Dr. Ge Li, Dr. Ning Zhao, Mr. Xiaozhong Liu and Mr. Zhaohui Zhang
"Group"	the Company and its subsidiaries
"H.K. dollar(s)" or "HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"HKEX"	Hong Kong Exchange and Clearing Limited
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"IFRS"	International Financial Reporting Standards
"IND"	investigational new drug, an experimental drug for which a pharmaceutical company obtains permission to ship across jurisdictions (usually to clinical investigators) before a marketing application for the drug has been approved
"Listing" or "IPO"	the listing of the Shares on the Main Board of the Stock Exchange on June 13, 2017
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
"Main Board"	Main Board of the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
"Pre-IPO Share Option Scheme"	the pre-IPO share option scheme adopted by the Company on January 5, 2016, and amended on August 10, 2016, the principal terms of which are summarized in "Statutory and General Information — E. Pre-IPO Share Option Scheme" in Appendix IV to the Prospectus
"Prospectus"	the prospectus issued by the Company dated May 31, 2017
"Renminbi" or "RMB"	Renminbi Yuan, the lawful currency of the PRC
"Reporting Period"	the six-month period from January 1, 2020 to June 30, 2020

"Restricted Share Award Scheme"	the restricted share award scheme adopted by the Company on January 15, 2018
"Shareholder(s)"	holder(s) of Share(s)
"Share(s)"	ordinary share(s) in the capital of the Company with nominal value of US$0.000025 each
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"U.S. dollar(s)" or "US$" or "USD"	United States dollar(s), the lawful currency of the United States of America
"U.S. FDA"	The Food and Drug Administration of the United States of America
"Written Guidelines"	the Written Guidelines for Securities Transactions by Directors adopted by the Company

In this announcement, the terms "associate", "connected person", "substantial shareholder" and "subsidiary" shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

For and on behalf of
WuXi Biologics (Cayman) Inc.
Dr. Ge Li
Chairman

Hong Kong, August 17, 2020

As at the date of this announcement, the Board comprises Dr. Zhisheng Chen and Dr. Weichang Zhou as executive Directors; Dr. Ge Li, Mr. Edward Hu, Mr. Yibing Wu and Mr. Yanling Cao as non-executive Directors; and Mr. William Robert Keller, Mr. Teh-Ming Walter Kwauk and Mr. Kenneth Walton Hitchner III as independent non-executive Directors.

* *For identification purpose only*