WuXi Biologics
Global Solution Provider

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

2021 INTERIM REPORT

*For identification purpose only

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Dr. Zhisheng Chen *(Chief Executive Officer)*
Dr. Weichang Zhou *(Chief Technology Officer)*

Non-executive Directors

Dr. Ge Li *(Chairman)*
Dr. Ning Zhao *(Appointed on June 16, 2021)*
Mr. Edward Hu *(Retired on June 16, 2021)*
Mr. Yibing Wu
Mr. Yanling Cao

Independent Non-executive Directors

Mr. William Robert Keller
Mr. Teh-Ming Walter Kwauk
Mr. Kenneth Walton Hitchner III

AUDIT COMMITTEE

Mr. Teh-Ming Walter Kwauk *(Chairman)*
Mr. William Robert Keller
Mr. Kenneth Walton Hitchner III
(Appointed on June 16, 2021)
Mr. Edward Hu *(Retired on June 16, 2021)*

REMUNERATION COMMITTEE

Mr. William Robert Keller *(Chairman)*
Dr. Ning Zhao *(Appointed on June 16, 2021)*
Mr. Kenneth Walton Hitchner III
Mr. Edward Hu *(Retired on June 16, 2021)*

NOMINATION COMMITTEE

Dr. Ge Li *(Chairman)*
Mr. William Robert Keller
Mr. Teh-Ming Walter Kwauk

STRATEGY COMMITTEE

Dr. Zhisheng Chen *(Chairman)*
Dr. Ge Li
Mr. Yibing Wu

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE

Dr. Zhisheng Chen *(Chairman)*
Dr. Ning Zhao *(Appointed on June 16, 2021)*
Mr. Kenneth Walton Hitchner III
Mr. William Robert Keller

AUTHORISED REPRESENTATIVES

Dr. Zhisheng Chen
Ms. Sham Ying Man

JOINT COMPANY SECRETARIES

Mr. Huang Yue
Ms. Sham Ying Man

REGISTERED OFFICE

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Corporate Information

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AUDITOR

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STOCK CODE

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COMPANY WEBSITE

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Financial Highlights

	Six months ended June 30,		
	2021	2020	Change
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	(%)
Operating results			
Revenue	**4,406,754**	1,944,103	126.7%
Gross profit	**2,296,833**	787,306	191.7%
Profit before tax	**2,058,228**	705,106	191.9%
Net profit	**1,882,778**	730,704	157.7%
Net profit attributable to owners of the Company	**1,842,140**	736,113	150.3%
Adjusted net profit [(1)]	**1,812,130**	666,976	171.7%
Adjusted net profit attributable to owners of the Company	**1,768,656**	672,385	163.0%
Profitability			
Gross margin (%)	**52.1%**	40.5%	
Net profit margin (%)	**42.7%**	37.6%	
Adjusted net profit margin (%)	**41.1%**	34.3%	

	As at June 30, 2021	As at December 31, 2020	Change
	RMB'000 (Unaudited)	RMB'000 (Audited)	(%)
Financial position			
Total Assets	**43,580,752**	28,963,613	50.5%
Total liabilities	**9,996,973**	8,064,217	24.0%
Total equity	**33,583,779**	20,899,396	60.7%
Equity attributable to owners of the Company	**33,220,735**	20,564,445	61.5%
Bank balances and cash	**11,281,712**	7,095,735	59.0%

(1) Details are set out in "Non-IFRS Measures" on pages 31 to 33.

Corporate Profile

The Group is a global leading open-access biologics technology platform company offering end-to-end solutions for biologics discovery, development and manufacturing. Biologics are a subset of pharmaceuticals and are revolutionizing the treatment of diseases in many major therapeutic areas globally. The Group's end-to-end service platform enables it to provide service offerings covering the entire biologics development process as well as customized solutions to its customers according to their respective service requirements at any stage of the biologics development process.

The biologics development process typically spans five stages: (i) drug discovery, (ii) pre-clinical development, (iii) early-phase (phases I & II) clinical development, (iv) late-phase (phase III) clinical development, and (v) commercial manufacturing. Services required for the biologics development process can be grouped into two categories: (1) pre-IND services, which include services provided during the first two stages of the biologics development process, and (2) post-IND services, which include services provided during the remaining three stages of the biologics development process.

The Group's business model is built upon "Follow & Win the Molecule" strategies. Its customers' demand for its services typically increases as their biologics advance through the biologics development process and ultimately to commercial manufacturing. Consequently, the Group's revenue from each integrated project typically increases as the project advances.

Business Review

Overall Performance

During the Reporting Period, the Group once again exceeded its performance goals. Leveraging its industry-leading enabling platform, the Group continued to offer end-to-end solutions to accelerate and transform the discovery, development, and manufacturing of biologics, and in particular COVID-19 treatments and vaccines, through the successful implementation of the "Win-the-Molecule" strategy.

- The total number of integrated projects increased by 42.7% from 286 as at the same time last year to 408 as at June 30, 2021.
- The total number of pre-clinical projects increased by 50.4% from 141 as at the same time last year to 212 as at June 30, 2021.
- The total number of early-phase (phase I and II) projects increased by 28.0% from 125 as at the same time last year to 160 (116 in phase I and 44 in phase II) as at June 30, 2021.
- The number of late-phase (phase III) projects increased by 68.4% from 19 as at the same time last year to 32 as at June 30, 2021, building the solid basis for launching more commercial manufacturing projects.
- The Group added two commercial manufacturing projects during the Reporting Period.
- The Group also achieved great success in progressing projects from pre-IND stage to post-IND stage: 14 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, 2021:

Biologics development process stage	Number of on-going integrated projects[1]	Typical duration	Typical Revenue[2]
Pre-IND			
— Drug discovery	—	2 years	US$1.5–2.5 mm
— Pre-clinical development	212	1-2 years	US$5-8 mm
Post-IND			
— Early-phase (phases I & II) clinical development	160	3 years	US$4–6 mm
— Phase I clinical development	116		
— Phase II clinical development	44		
— Late-phase (phase III) clinical development	32	3–5 years	US$20–50 mm
— Commercial manufacturing	4	Annually	US$50–100 mm[3]
Total	**408**		

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, 2021 increased by 126.7% year-on-year to RMB4,406.8 million, together with a 191.7% year-on-year growth in gross profit to RMB2,296.8 million. The Group's total backlog, including the service backlog and upcoming potential milestone fees backlog, also increased by 31.7% from US$9,464 million as of June 30, 2020 to US$12,465 million as of June 30, 2021, of which service backlog increased by 25.2% from US$5,773 million to US$7,229 million and upcoming potential milestone fees backlog increased 41.9% from US$3,691 million to US$5,236 million. The Group's total backlog within three years also increased by 143.1% from US$925 million as of June 30, 2020 to US$2,249 million as of June 30, 2021. The service backlog represents the revenue amount the Group has contracted but has yet to perform. The total upcoming potential milestone fees backlog represents 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 18 out of the 20 largest pharmaceutical companies in the world and 36 out of the 50 largest pharmaceutical companies in China. The Group provided services to 352 customers for the six months ended June 30, 2021, compared with 264 customers for the same period last year. The Group believes that continuous capabilities 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.

Unlock Growth Opportunities Despite the Pandemic

As a global industry-leading biologics CDMO, the Group has provided its customers and partners with world-class scientific expertise and innovative solutions from the outset of the COVID-19 pandemic.

Relying on its cutting-edge technology platforms and state-of-the-art manufacturing facilities, the Group pursued new business opportunities to discover, develop and manufacture biological therapeutics and vaccines for COVID-19. The Group enabled more than 15 COVID-19 neutralizing monoclonal antibodies ("**mAbs**") projects globally, including additional eight projects being initiated in 2021, with 25 INDs approved within a record-breaking DNA to IND timeline of three to five months. The Group further enabled Vir/GSK to achieve FDA EUA (Emergency Use Authorization) approval for a COVID-19 neutralization mAb in another record-breaking 14 months. The Group also supplied hundreds of millions of doses of COVID-19 vaccine drug substance ("**DS**") and drug product ("**DP**") to global pharmaceutical companies and undertook other COVID-19 vaccines projects. In total, the Group signed around US$1.3 billion in contracts for COVID-19 projects as of the end of the Reporting Period.

Moving forward, the Group believes that its "Win-the-Molecule" strategy will continue to bolster its industry-leading capabilities and capacity to support its global customers and partners in overcoming the pandemic and to increase its revenue stream.

Strategic Highlights

The Group embraces and adapts to changes in the global biologics industry and strives for the effective implementation of its "Win-the-Molecule" strategy and "Global Dual Sourcing" manufacturing paradigm. During the Reporting Period, the Group maintained its momentum in leading the biologics CDMO industry, as exhibited by the following achievements:

- The Group has been named a winner of the 2021 "CMO Leadership Awards" for the fourth year in a row. The Group is proud to receive this distinction in all six award categories — capabilities, compatibility, expertise, quality, reliability, and service — and across the three respondent groups — Big Pharma, Small Pharma, and Overall (combined Big and Small Pharma). It is a great testimony to the efforts made by each of the Group's employees around the globe and to the satisfaction of our partners.

- The Company completed its primary placing by placing 118,000,000 shares at a price of HK$112.00 per share with approximately HK$13,121.24 million net proceeds, laying a solid foundation for the Group's further global expansion and technology innovation.

- The Group extended its global footprint and expanded its manufacturing capacity through a series of acquisitions, including DS facilities purchased from Bayer Aktiengesellschaft ("**Bayer**") in Germany; DS and DP facilities in China from Pfizer; and the acquisition of CMAB Biopharma Limited ("**CMAB**"), a full-service CDMO company in China.

- The Group announced the establishment of a joint venture company, WuXi XDC Cayman Inc. ("**WuXi XDC**"), with Shanghai SynTheAll Pharmaceutical Co., Ltd. ("**WuXi STA**"), a subsidiary of WuXi AppTec. WuXi XDC will engage in the CDMO of Antibody-drug Conjugate ("**ADC**") and other bioconjugates. The Group and WuXi STA intend to make capital contributions of US$120 million and US$80 million, respectively, to WuXi XDC.

- The Group received a License of Manufacturing Permit from German health authorities for its Drug Product Facility 7 ("**DP7**") in Leverkusen, Germany. This license represents another remarkable milestone in the Group's efforts to establish premier quality operations on a global scale.

Technology Platforms

By fostering a culture of innovation, the Group is pushing the boundaries of biologics technologies throughout the life cycle of biologics discovery, development, and manufacturing. Through its pioneering adoption of single-use technology and build-up of innovative proprietary technology platforms, the Group will achieve further milestones, build royalty revenues, and add more biologics projects to its pipeline.

Antibody-drug Conjugates

Antibody-drug Conjugates is a 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. Seven ADCs have been approved by the U.S. FDA since 2019, more than ever before approved. The burgeoning ADC pipeline, recent approvals, and promising data emerging from clinical trials have attracted intense commercial interest.

Despite these recent approvals, ADCs still come with development and manufacturing challenges. These challenges require extensive expertise and experience in both the development and manufacturing of biologics and small molecules, as well as bioconjugation. As a global industry-leading biologics CDMO, the Group has considerable experience working with various antibodies and other biological molecules, linkers and payload chemistries, which uniquely qualifies the Group to provide its partners with individualized options and solutions for ADC development and manufacturing. As of the end of the Reporting Period, the Group secured 48 ADC integrated projects globally, many of which have reached IND stages to phase II/III stages.

The Group's new ADC facility, Drug Product Facility 3 ("**DP3**"), encompasses nearly 6,000 square meters and provides integrated solutions such as process development, technology transfer, and pilot scale to large-scale cGMP production for ADCs and other complex protein conjugates. This state-of-the-art facility, which strictly complies with global quality standards, houses an 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 production requirements of global clinical trials and product launches. Since its GMP production release in 2019, DP3 has produced more than 70 GMP DS and DP batches. The Group also completed a capacity expansion project at DP3, increasing its lyophilization capacity by five times to meet requirements for multiple late-stage ADC development and manufacturing projects.

WuXi XDC 药明合联 The Bioconjugation Leader

With the establishment of WuXi XDC, the Group will have the most comprehensive set of in-house capabilities to handle all stages of ADC drug development. The Group now also has manufacturing in facilities conveniently located near each other, enabling global ADC innovators in a cost-effective and timely manner.

Bispecific and Multispecific Antibodies

Building upon the resounding therapeutic success of monoclonal antibodies, and supported by accelerating progress in biology and engineering methods, the field of bispecific and multispecific antibodies is growing rapidly. With more than 100 different bispecific formats currently available, and approximately 160 bispecific antibodies in clinical trials and 460 bispecific antibodies in pre-clinical development, many believe that the market for these bispecific and multispecific antibodies holds significant long-term potential growth.

WuXiBody® Bispecific Antibody Technology Platform

The complexity of bispecific and multispecific antibody formats presents challenges associated with biology complexity, protein engineering, product stability, and manufacturing. The Group has used its first-hand experience in antibody discovery and development and its world-class scientist team to solidify its leading role in the field by developing more than 10 different formats and publishing more than 30 papers. Based on its extensive technology exploration, the Group developed and launched the innovative WuXiBody® bispecific antibody platform, which allows valency flexibility to meet various biology needs and permits the easy joining of almost any mAb pair to build a bispecific antibody. The WuXiBody® platform offers many other benefits, including high-yield, high solubility, stability in serum, and increased in vivo half-life to global bispecific antibody therapeutic developers.

Since its market launch, WuXiBody® has been widely recognized in the industry. Relevant projects based on WuXiBody® platform have delivered strong growth for and will continue contributing to the Group's businesses. As of the end of the Reporting Period, the WuXiBody® platform has been widely used in more than 30 projects. The first WuXiBody® bispecific molecule has dosed the first patient in April 2021 and currently is in dose escalation study.

SDArBody™

In addition to the WuXiBody® platform, the Group is leveraging its leading technical capabilities and deep understanding of disease and target biology to develop SDArBodY™ (Single-Domain Antibody-related Multispecific Antibody) platform. SDArBodY™ allows the Group to enable its customers and partners that are focusing on multispecific and multi-functional therapeutic modalities.

Vaccines

Vaccines are the most powerful and cost-effective way to protect public health. In addition to the impact of COVID-19, the need for novel vaccines is anticipated to boost the growth of the vaccine market. It is estimated that healthy growth is expected to continue and the market is expected to register at a compound annual growth rate ("**CAGR**") of around 7% from 2021 to 2025.

Equipped with its industry-leading technology spanning Chemistry, Manufacturing and Control ("**CMC**") and regulatory affairs capabilities, multiple vaccine technology platforms, and commercial manufacturing, the Group, through WuXi Vaccines, has advanced in the vaccine CDMO business since 2018 and now offers end-to-end services for its customers and partners, including vaccine discovery and development, scale-up commercial manufacturing, and global distribution. The Group's robust global network enables its customers to start vaccine projects within four weeks and distribute vaccines from facilities across the globe. The Group's mRNA vaccines technology platform will further enable its customers by offering both DS and DP CDMO services soon.

As of the end of the Reporting Period, the Group has signed nine vaccine contracts, including a partnership manufacturing agreement with a global vaccine leader for an initial term of 20 years and a total contract value over US$3 billion. The Group also has enabled clients focusing on COVID-19 vaccine efforts to combat the pandemic, with three vaccine contracts totaling around US$300 million.

The Group's state-of-the-art vaccines facility in Ireland is also contributing to these efforts, with its modular lab in operation and generating revenues. The facility won the title of "Large Pharma Project of the Year" at Ireland's 2020 Pharma Industry Awards. The main facility achieved "weather-tight" status in early 2021.

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 120 integrated projects per year, one of the largest capacities in the world. Utilizing an Artificial Intelligence (AI)-based codon optimization program, and proprietary expression vector system, in only 9–10 weeks, top 3 clones with high expression levels can be obtained and utilized for process development and cell banking. Combined with the Group's EU 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 significantly reduces manufacturing costs of biologics. The intensified and continuous cell culture process used in this novel technology platform 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 traditional purification processes for almost any kind of biologics. WuXiUP™ has been implemented in more than 40 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, which has more than 375 scientists, many of whom have multiple years of biologics drug discovery experience at multinational pharmaceutical companies, continuously focused on: (i) enhancing innovative biologics generation capabilities and optimizing several existing technological platforms, including traditional hybridoma technology, premium humanization and various antibody optimization platforms (including pH sensitivity engineering and disease microenvironment modulating engineering), phage display technology, fully human antibodies, bispecifics, multispecifics, nanobodies, modified cytokines, fusion proteins, and antibody fragments to expedite the discovery of novel therapeutic biologics; (ii) supporting the Group's global partners in using the proprietary bispecific and multispecific antibody platforms, including WuXiBody® and SDArBodY™, enabling them to considerably accelerate the development process of new bispecific and multi-functional biologics; (iii) enhancing the Group's in vitro and in vivo biology capabilities and capacity to further enhance our one-stop service offering and 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 highly differentiated novel biologic drugs, such as conditionally activated biologics; (v) continuously enhancing R&D capabilities in the design and discovery of best-in-class and first-in-class 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 pre-clinical development for IND-enabling by providing integrated rapid pre-clinical development services to multiple client SARS-CoV-2 neutralization antibody projects; 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 customers.

Manufacturing, Biosafety Testing and Quality

Manufacturing

During the Reporting Period, most of the Group's manufacturing capacity was fully utilized with efficient operations due to the large volume of COVID-19-related and other biologics projects. Although cross-border business operations were still impeded by the pandemic, the Group achieved and exceeded its manufacturing goal by maintaining full and transparent communication with clients via various remote information technologies.

- The Group's Manufacturing Facility 1 ("**MFG1**"), the first biologics manufacturing facility in China approved by both the U.S. FDA and the EU EMA, has successfully completed pre-license inspection ("**PLI**") batches for China National Medical Products Administration ("**NMPA**") and U.S. FDA inspection, and also the post process performance qualification projects during the Reporting Period. Empowered with the extended GMP capacity being operational in June 2021, MFG1 will enable more late phase and commercial projects.

- The Group's Manufacturing Facility 2 ("**MFG2**") deploys 14 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 completing its U.S. FDA PLI inspection runs in March 2021.

- With a 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 streamlines clinical CMC activities, enabling the Group's customers 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 4,000L single-use bioreactor, was GMP-released in July 2019. In 2020, MFG4 successfully completed the first 4,000L DS GMP production, which is a significant breakthrough in the biologics industry for the first time using the 4,000L single-use bioreactor in Asia. In 2021, MFG4 successfully completed the DS of vaccine in full capacity.

- The Group's Manufacturing Facility 5 ("**MFG5**") is the world's largest single-use bioreactor-based cGMP biologics facility and hosts two complete lines of 60,000L total capacity. MFG5's nine 4,000L single-use bioreactors lines successfully launched GMP operation in early 2021, which greatly enhanced the Group's capability to enable global customers and partners. More production capacity in MFG5 is targeted to be GMP-released in 2021.

- The Group's Drug Product Facility 1 ("**DP1**") with dual approval from both the U.S. FDA and the EU EMA maintained a high capacity utilization rate during the Reporting Period, for both lyophilization and liquid fill DP, with a 100% success rate.

- 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 Group's second GMP-released sterile filling DP facility for manufacturing both pre-filled syringes ("**PFS**") and vial products for early stage clinical supplies. 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.

- The Group's Drug Product Facility 7 ("**DP7**") received a License of Manufacturing Permit from German health authorities in July 2021. The permit demonstrates that the Group can successfully enable its clients to accelerate the development and manufacturing of biologics by providing GMP manufacturing services outside of China.

- The Group's Drug Product Facility 9 ("**DP9**") was acquired from Pfizer China during the Reporting Period and substantially expanded the Group's late phase and commercial DP capacities to address surging manufacturing demands. DP9 successfully completed its first batch of DP manufacturing just 33 days after the acquisition.

- Please also refer to the section headed "Technology Platforms" for our ADC and vaccines facilities.

Biosafety Testing

The Group's biosafety testing facility at its Suzhou site significantly shortens turnaround times for all biosafety tests and viral clearance validation studies conducted for the Group's clients. During the Reporting Period, the Suzhou site received another EU EMA GMP certificate following the first one received in 2020, which further validated the Group's commitment to delivering high-quality services to its global customers and partners.

Along with other business units, the Suzhou site actively builds its biosafety testing capability by developing tests and methods for various biologics products, as well as expanding its cell bank characterization test panels to include other species (such as the HEK293 cell line) commonly used in the production of biologics and vaccines.

During the Reporting Period, a new laboratory building in the Suzhou site came into full operation, increasing the site's testing capacity and building a strong foundation for the site to provide high-quality, high-speed biosafety testing services to more clients. With the ascent of the biologics testing business, an additional facility has been planned to help further increase the Group's capacity and ensure that it meets customers' expectations for high-quality, efficient, and expeditious testing services.

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 client needs.

With its world-class quality system, the Group has passed 15 regulatory inspections conducted by U.S. FDA, EU EMA, NMPA, Brazilian Health Regulatory Agency ("**ANVISA**") and other national regulatory agencies since 2017, including 9 inspections within the first seven months of 2021, which distinguishes the Group as the first and only biologics company certified by these regulatory agencies for commercial manufacturing in China. The Group believes that these certificates will help to manifest the Group's world-class quality system that meets global quality standards and thereby benefits patients globally with biologics of better quality.

Capacity Expansion

During the Reporting Period, the Group continued to expand its global manufacturing capacity to satisfy the burgeoning biologics capacity demands from an increasing number of late-phase projects, upcoming customer orders and the "Global Dual Sourcing" manufacturing paradigm. Through both new construction and global acquisition, a robust global network with around 430,000L of manufacturing capacity is well underway to enable global customers and partners.

Facility	Designed Capacity	Location	Comments
MFG6	6,000L perfusion	Ireland	Commercial
MFG7	48,000L fed-batch	Ireland	Commercial
MFG8	48,000L fed-batch	Shijiazhuang	Commercial
MFG9	96,000L fed-batch	Wuxi	Commercial
MFG10	4,500L fed-batch/perfusion	Singapore	Clinical/Commercial
MFG11	16,000L 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
MFG17	10,000L fed-batch	Shanghai	Clinical
MFG18	6,000L fed-batch	Cranbury, NJ	Clinical
MFG19	15,000L fed-batch/perfusion	Wuppertal, Germany	Commercial
MFG20	8,000L fed-batch	Hangzhou	Commercial
MFG21	7,000L fed-batch	Suzhou	Clinical

During the Reporting Period, the Group made achievements to extend its global footprint despite continued challenges posed by the pandemic. Highlights included:

- The Group's Dundalk, Ireland site (**MFG6** and **MFG7**), its first European site, has seen significant progress during the Reporting Period, reaching 98% construction completion. The site is progressing well to be GMP-released in 2022. Once completed, this "Factory of the Future" will be one of the world's largest facilities using single-use bioreactors alongside next generation continuous manufacturing process technology.

- To meet increasing demand from the U.S. market, the Group has taken determined steps to establish and grow its capacity there:
    - During the Reporting Period, the basic design of the Group's Manufacturing Facility 11 ("**MFG11**") in Worcester, Massachusetts, a new 107,000 square-foot biologics development and manufacturing facility, was nearly completed. Facility construction is expected to commence soon.
    - The Group's Manufacturing Facility 18 ("**MFG18**") in Cranbury, New Jersey, the Group's first manufacturing facility to be operational in the U.S., offers 66,000 square-foot cGMP clinical manufacturing space with full process development capability, from cell line development to non-GMP pilot production. Facility construction was at full speed during the Reporting Period. It is expected to be GMP-released in late 2021.
- The Group's new site in the Fengxian district of Shanghai, a comprehensive one-stop center for biologics discovery, development, and clinical and commercial manufacturing, has been operational since early 2021 with a six-story building that houses laboratories and facilities for biologics discovery and development. Phase II construction — consisting of four buildings totaling around 60,000 square meters — is progressing smoothly, Phase II is expected to be GMP-ready in 2022. Altogether, the total area of this new state-of-the-art biologics center, including the future Phase III facilities, will be 150,000 square meters.
- The Group's Manufacturing Facility 8 ("**MFG8**") broke ground in 2018 at Shijiazhuang, the capital city of Hebei Province in Northern China. With a planned capacity of 48,000L, MFG8 is designed to meet the rigorous international cGMP standards of the U.S., EU and China. During the Reporting Period, MFG8's civil structure architecture reached 90% completion.
- The Group's biologics integrated innovation center has been operational in Hangzhou, Zhejiang Province, China since November 2020. From process development to analytical testing, from cGMP DS manufacturing to robotic aseptic DP filling, the innovation center in Hangzhou provides a full spectrum of services to next-generation biological products based on viral production (**MFG13**) and microbial fermentation (**MFG14**) platforms as part of the Group's continuous efforts to meet the surging demand from these new modalities. Both MFG13 and MFG14 are expected to be GMP-released in 2021.
- The Group also acquired more state-of-the-art facilities worldwide to quickly grow its capacity for serving more customers and partners, including MFG19 and DP7 in Germany from Bayer, MFG20, DP9 and DP10 in Hangzhou China from Pfizer, and MFG21 and DP11 of CMAB in Suzhou, China.

Sales and Marketing

The global COVID-19 pandemic dramatically influenced the way the Group interacted with its customers and partners, especially in North America and Europe, as more digital and web-based methods were employed. Throughout the Reporting Period, due to nearly all in-person major conferences and trade events globally were cancelled or postponed and as client on-site meetings were dramatically reduced due to COVID-19 risk mitigation protocols, the Group adapted quickly to the new digital and web-based meeting options that were provided by conference providers, its client's and the Group's own digital meeting tools. For example, the Group was still able to participate in events like the JP Morgan Healthcare Conference, BIO 2021, BioEurope and multiple events throughout China 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 and platforms. These marketing channels focused on promoting the Group's record-breaking DNA to IND timelines, including highlighting the extraordinary efforts made to enable our partners to deliver novel biologics in record-breaking timeframe throughout the COVID-19 pandemic. Another promotional campaign centered on the Group's "Global Dual Source" manufacturing strategy, which supports the Group's global facility and capacity expansion initiatives.

Additional specific promotions were undertaken to raise awareness within the scientific community about the Group's novel technology platforms, including the exciting WuXiBody® bispecific antibody platform, proprietary WuXia™ cell line development system, novel formulation and fill capabilities, and the WuXiUP™ continuous manufacturing platform. Upon the announcement of the WuXi XDC joint venture, the group initiated the promotion of WuXi XDC's single-source ADC/bioconjugates capabilities and industry-leading DNA to IND timelines. Using a digital and global multichannel marketing approach that highlighted differentiated competitive strengths, the Group once again solidified its role as one of the world's leading premier suppliers and partners in the biologics industry.

Strategic Collaborations with Global Partners

Despite business communication constraints imposed by the pandemic, the Group continued to establish strategic partnerships and introduce more biologics projects into the pipeline as part of its implementation of "Win-the-Molecule" strategy during the Reporting Period.

- Signed Memorandum of Understanding with LegoChem Biosciences, Inc., a clinical-stage biopharmaceutical company focusing on the development of next-generation novel therapeutics (stock code: 141080KS), in development and manufacturing of innovative ADCs based on WuXi XDC's integrated services.

- Exclusive CDMO partnership with OncoC4, Inc. ("**OncoC4**"), a privately-held clinical-stage biopharma company, for OncoC4's full pipeline of biologics. Under the partnership, the Group will provide biologics development and cGMP manufacturing services for OncoC4's products from early R&D and pre-clinical activities to post-commercialization.

- Long-term strategic collaboration with Worg Pharma ("**Worg**"), a clinical stage biopharmaceutical company in Hangzhou, China, by which the Group, leveraging its well-established microbial and viral platforms, will provide technical support and services for the process development, manufacturing and global IND for multiple biologics, further enabling Worg to advance the new-generation Allergen-Specific Immunotherapy (ASIT).

- Exclusive license agreement with Exelixis, Inc. ("**Exelixis**") (Nasdaq: EXEL), a commercially successful, oncology-focused biotech company, to support the continued expansion of Exelixis' oncology biologics pipeline by the Group's integrated technology platforms.

Environmental, Social and Governance (ESG)

During the Reporting Period, the Group strived to enforce the highest ESG standards by, among others, adopting various environmentally friendly technologies, especially its state-of-the-art single-use bioreactor technology, to protect natural resources and launching more Corporate Social Responsibility ("**CSR**") initiatives to benefit global employees, partners, patients and communities. During the Reporting Period, the Group also welcomed the first female Director and established the ESG Board committee directly chaired by the CEO to further enhance its ESG efforts.

Future Outlook

After one and a half years into the pandemic, although the quickly evolving nature of COVID-19 continues to raise a number of issues that make it difficult to estimate its long-term impact, both the global economy and public health are looking toward recovery following the extraordinarily rapid development of various vaccines.

Significant global efforts are still underway to diagnose, treat and prevent infections from COVID-19 more efficiently and effectively. In particular, on the frontline of the battlefield, the biologics community, from big pharmaceutical companies to small and medium-sized biotech companies, have stepped up and made enormous strides in working on vaccines, therapeutics and diagnostics. As indispensable partners to biopharma companies, biologics CDMOs have gone to great lengths to meet the skyrocketing demand from their customers for COVID-19-related projects. At the same time, noncritical therapies were de-emphasized for a few months because of COVID-19. The biologics CDMO industry expects a further boost in 2021 with the resumption of trials and delays in manufacturing of non-pandemic therapies, which will cause even greater demand of already scarce capacity.

Aside from the impact of the pandemic, the global biologics industry continues to heat up and looks forward to continued rapid growth, as evidenced by new equity funding raised for biopharma companies in 2020, which increased by 76% over 2019. Many emerging biotech companies lack the internal development and manufacturing capacity to move their drug candidates forward, causing a big chunk of new funding to get channeled to biologics CDMOs for the development of biologics candidates in their pipeline.

The biologics industry is always under pressure to deliver cost-effective therapies to the market in the shortest time frame possible, while adhering to the regulations that govern manufacturing practices. Along with cutting-edge technologies — such as ADC and bispecific antibody — extensive expertise, experience and massive capital expenditures are necessary to develop innovative biologics. Both large pharmaceutical companies and small and medium-sized biotechnology companies believe it is more economical and efficient, as well as less risky, to maintain the most important core functions and competencies in-house, while outsourcing other functions to experienced single-source CDMOs offering end-to-end services and strong R&D capabilities, in order to take advantage of their inherent speed and advanced technologies and expertise. For small and medium-sized biotechnology companies with limited manufacturing capabilities, a single outsourcing partner can handle much of the development and scale-up work, reduce pipeline risk and increase operating flexibility. In contrast, big pharmaceutical companies tend to seek a deeper strategic partnership with integrated CDMOs in order to shed assets, drive down costs and build redundancy in their supply chains. According to Morgan Stanley's recent report on global CDMO, biologics CDMO penetration rate is expected to increase from 20% in 2021 to 29% in 2024, representing a 23–28% CAGR.

Riding on the blooming biologics CDMO market, the Group will continue to maintain its strong growth as a leading global single-source biologics CDMO by offering end-to-end solutions and unparalleled capabilities and capacity that empower anyone and any company to discover, develop and manufacture biologics from concept to commercial manufacturing.

Looking ahead to the remainder of 2021, the Group will continue its efforts in building the most comprehensive capability and technology platform in the global biologics industry to implement its "Win-the-Molecule" strategy and fulfill the "Global Dual Sourcing" manufacturing paradigm to enable global customers and partners and benefit patients worldwide.

Financial Review

Revenue

The revenue of the Group increased by 126.7% from approximately RMB1,944.1 million for the six months ended June 30, 2020 to approximately RMB4,406.8 million for the six months ended June 30, 2021. The increase was mainly attributed to (i) the Group's acceleration to undertake, promptly execute and generate revenue from both COVID-19 and non COVID-19 projects to support and enable the Group's global clients; (ii) global leading and integrated technology platforms, customer-centered process and system, excellent project execution and track record, best-in-industry timeline, flexibility to satisfy customers' needs, experienced management team, and dedicated and talented workforce contributing to significantly higher revenue and market share of new integrated projects; (iii) successful execution of "Win-the-Molecule" strategy adding considerable late-stage pipeline and near-term revenue; and (iv) the comparison base was lower due to the outbreak of COVID-19 in China during the same period last year.

The revenue of the Group has maintained strong 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. While at the same time, the revenue from service rendering to customers headquartered in Europe has surged to a historical high record, as a result of the booming COVID-19 projects. The table below shows the revenue distribution by countries/regions:

	Six months ended June 30,			
	2021		2020	
Revenue	**RMB million**	**%**	RMB million	%
— North America	**2,189.3**	**49.7%**	878.2	45.2%
— PRC	**1,161.0**	**26.3%**	815.7	42.0%
— Europe	**989.9**	**22.5%**	122.7	6.3%
— Rest of the world (Note)	**66.6**	**1.5%**	127.5	6.5%
Total	**4,406.8**	**100.0%**	1,944.1	100.0%

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

For the six months ended June 30, 2021, the pre-IND services revenue of the Group increased by 50.4% to approximately RMB1,448.5 million, accounting for 32.9% of the total revenue. On the other hand, the post-IND services revenue of the Group increased by 109.2% to approximately RMB1,939.3 million, accounting for 44.0% of the total revenue. Furthermore, the commercial manufacturing revenue of the Group increased to approximately RMB888.9 million, accounting for 20.2% of the total revenue. The rapid growth of revenue from post-IND services and commercial manufacturing is mainly attributed to (i) more projects progressing from pre-IND to subsequent stages such as early-phase and late-phase stages by implementing the "Win-the-Molecule" strategy; and (ii) the booming of COVID-19 projects.

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

	Six months ended June 30,			
	2021		2020	
Revenue	**RMB million**	**%**	RMB million	%
Pre-IND services	**1,448.5**	**32.9%**	963.2	49.5%
Post-IND services	**1,939.3**	**44.0%**	927.2	47.7%
Commercial manufacturing	**888.9**	**20.2%**	29.4	1.5%
Others (Note)	**130.1**	**2.9%**	24.3	1.3%
Total	**4,406.8**	**100.0%**	1,944.1	100.0%

Note: Others mainly include sales of other biologics products by Pinghu U-Pure Biosciences Co., Ltd. ("**U-Pure**") and BestChrom (Shanghai) Biosciences Co., Ltd. ("**BestChrom**"), two non-wholly owned subsidiaries of the Group. 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 82.4% from approximately RMB1,156.8 million for the six months ended June 30, 2020 to approximately RMB2,109.9 million for the six months ended June 30, 2021, while the revenue increased by 126.7% year-on-year in the same period. The proportional less spending in cost of sales and services reflected the Group's extraordinary efforts and results in utilizing existing resources to complete more development projects, improving capacity utilization in its manufacturing facilities and implementing effective controls on some of the key items in overheads, such as utilities, maintenance and purchased service.

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 191.7% from approximately RMB787.3 million for the six months ended June 30, 2020 to approximately RMB2,296.8 million for the six months ended June 30, 2021. The Group's gross profit margin increased from 40.5% for the six months ended June 30, 2020 to 52.1% for the six months ended June 30, 2021. The increase in the gross profit margin was primarily attributable to (i) the Group's robust business growth, as a result of the rapid increase in the number of integrated projects and projects progressing to late stages of development; (ii) the Group's extraordinary efforts to undertake a large number of new development projects, with very limited additional human resources; (iii) the Group's deployment to fully utilize existing manufacturing facilities for COVID-19 and other late-phase projects; and (iv) the continuing undertaking of the Group's operational efficiency improvement programs.

Other Income

The other income of the Group mainly consists of R&D and other grants and interest income from banks and other financial assets at amortized cost. Other income of the Group decreased by 14.2 % from approximately RMB148.4 million for the six months ended June 30, 2020 to approximately RMB127.3 million for the six months ended June 30, 2021, primarily due to (i) a decrease in grants related to income; and (ii) a decrease in interest income as a result of the continuously declining yields from investments in bank deposits and wealth management products.

Other Gains and Losses

The other gains and losses of the Group primarily include foreign exchange gains or losses, fair value gains or losses on equity investments at fair value through profit or loss ("**FVTPL**"), fair value gains or losses on wealth management products, and etc.. The net other gains of the Group increased by 38.0% from approximately RMB225.7 million for the six months ended June 30, 2020 to approximately RMB311.5 million for the six months ended June 30, 2021, primarily due to an increase in fair value gain on equity investments held by the Group, especially those listed securities with upward trends in the stock market, which was partially offset by a decrease in foreign exchange gain as USD has been continuously depreciated against RMB from the second half of 2020.

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) ("**Impairment Losses**") and increased from approximately RMB56.6 million for the six months ended June 30, 2020 to approximately RMB133.2 million for the six months ended June 30, 2021. Considering the adverse impact of COVID-19 on the global economy, coupled with the longer collecting cycles from some customers headquartered in China, more provision has been accrued for prudence. Given the stringent control and great efforts by the Group's management, more than 50% of the Impairment Losses provided in the Reporting Period is expected to be fully collected subsequently in the second half of 2021. The Group has been continuously monitoring over its down-payment requirements and involved top management's efforts to manage the collection of overdue receivables by various means.

Selling and Marketing Expenses

The selling and marketing expenses of the Group increased by 24.5% from approximately RMB48.5 million for the six months ended June 30, 2020 to approximately RMB60.4 million for the six months ended June 30, 2021, mainly due to (i) our continuous efforts in enhancing the Group's business development capability to solidify its leading role in the growing global market; and (ii) the amortization of customer relationship, which was generated from acquisition of CMAB in the first half of 2021. Compared to the phenomenal growth of revenue, the growth of selling and marketing expenses was relatively stable. Selling and marketing expenses as a percentage of the Group's revenue decreased to 1.4% for the six months ended June 30, 2021, as compared to 2.5% for the six months ended June 30, 2020.

Administrative Expenses

The Group's administrative expenses increased by 70.9% from approximately RMB203.4 million for the six months ended June 30, 2020 to approximately RMB347.6 million for the six months ended June 30, 2021, primarily due to the increases in staff related costs, insurance expenses, IT facilities expenses for the Group's new facilities in China and overseas to support the Group's rapid organic growth and merge and acquisition projects. Above increase in administrative cost is much less than the Group's revenue growth, illustrating the effective execution of fixed cost control and value for spending.

Research and Development Expenses

The research and development expenses of the Group decreased by 7.2% from approximately RMB124.4 million for the six months ended June 30, 2020 to approximately RMB115.4 million for the six months ended June 30, 2021. Less spending is mainly due to the Group's plan to undertake the majority of R&D projects in the second half of 2021.

Operating Profit and Operating Profit Margin

The operating profit of the Group increased by 331.4% from approximately RMB411.1 million for the six months ended June 30, 2020 to approximately RMB1,773.5 million for the six months ended June 2021, which proved the effectiveness of the Group's cost control efforts and measures particularly in selling and marketing expenses, and administrative expenses. This has resulted in an improved operating profit margin of 40.2% for the six months ended June 30, 2021 as compared to 21.1% for the six months ended June 30, 2020.

Finance Costs

The finance costs of the Group mainly include interest expense on lease liabilities, interest expense on bank borrowings and interest expense on financing component of an advance payment received from a customer. The finance costs of the Group decreased by 6.7% from approximately RMB22.4 million for the six months ended June 30, 2020 to approximately RMB20.9 million for the six months ended June 30, 2021, mainly attributable to an increase in capitalized borrowing costs since more long-term bank borrowings have been funded for the purpose of financing the Group's construction of manufacturing facilities in Europe, which was partially offset by (i) an increase in interest expense on lease liabilities, along with the increment of lease agreements globally; and (ii) an increase in interest expense on financing component of an advance payment received from a customer which commenced from the second half of 2020.

Income Tax Expense (Credit)

For the six months ended June 30, 2021, the income tax expense of the Group amounted to approximately RMB175.5 million, which was attributed to the regular income tax expenses with an effective tax rate of 15.8%; and partially offset by certain tax refund from local authorities as a favorable local policy in a couple of China subsidiaries, totaling approximately RMB150.5 million. While for the six months ended June 30, 2020, the Group recorded a credit amount of approximately RMB(25.6) million income tax expense attributed to the similar tax refund from local authorities, amounting to approximately RMB120.7 million.

Net Profit and Net Profit Margin

As a result of the foregoings, the net profit of the Group increased by 157.7% from approximately RMB730.7 million for the six months ended June 30, 2020 to approximately RMB1,882.8 million for the six months ended June 30, 2021. The net profit margin of the Group for the six months ended June 30, 2021 was 42.7%, as compared to 37.6% for the six months ended June 30, 2020. The increase in net profit margin was the combined results of (i) the strong gross profit increase as mentioned above; and (ii) the successful execution of cost saving and efficiency improvement programs.

The net profit attributable to owners of the Company increased by 150.3% from approximately RMB736.1 million for the six months ended June 30, 2020 to approximately RMB1,842.1 million for the six months ended June 30, 2021. The margin of net profit attributable to owners of the Company increased from 37.9% for the six months ended June 30, 2020 to 41.8% for the six months ended June 30, 2021. 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 131.6% from RMB0.19[(1)] for the six months ended June 30, 2020 to RMB0.44 for the six months ended June 30, 2021. The diluted earnings per share of the Group increased by 133.3% from RMB0.18[(1)] for the six months ended June 30, 2020 to RMB0.42 for the six months ended June 30, 2021. The increase in the basic and diluted earnings per share was primarily due to the increase in the net profit attributable to owners of the Company 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 35.1% from approximately RMB11,996.2 million as at December 31, 2020 to approximately RMB16,206.2 million as at June 30, 2021, primarily due to (i) on-going facility constructions in various sites of the Group, mainly in Ireland, Germany and the U.S.; and (ii) the acquisition of CMAB and Pfizer Biologics (Hangzhou) Company Limited, following the Group's "Global Dual Sourcing" manufacturing paradigm and rapid business expansion.

Right-of-Use Assets

The balance of the right-of-use assets of the Group increased by 75.3% from approximately RMB874.2 million as at December 31, 2020 to approximately RMB1,532.4 million as at June 30, 2021, primarily due to the commencement of some new lease agreements during the Reporting Period, especially in Germany and the U.S..

(1) Basic and diluted earnings per share were stated after taking into account the effect of the Share Subdivision. Comparative figures have also been restated on the assumption that the Share Subdivision had been effective in prior interim period.

Goodwill

The balance of the goodwill of the Group increased by 619.6% from approximately RMB185.4 million as at December 31, 2020 to approximately RMB1,334.1 million as at June 30, 2021, mainly due to the addition of goodwill arising from the acquisition of CMAB in the first half of 2021.

The management of the Group determines that there is no impairment during and at the end of the Reporting Period.

Intangible Assets

The intangible assets of the Group mainly include technology and customer relationship recognized in the acquisition transactions, and patents and licenses held by the Group. The intangible assets of the Group increased by 49.4% from approximately RMB391.9 million as at December 31, 2020 to approximately RMB585.5 million as at June 30, 2021, mainly due to the addition of technology and customer relationship arising from the acquisition of CMAB.

Investment of An Associate Measured at FVTPL

The investment of an associate measured at FVTPL of the Group represents the equity interest held in Shanghai Duoning Biotechnology Co., Ltd. ("**Duoning**").

The balance of investment in Duoning increased by 112.6% from approximately RMB187.5 million as at December 31, 2020 to approximately RMB398.7 million as at June 30, 2021, mainly due to the additional investment of approximately RMB200.0 million during the Reporting Period, and as a result, the proportion of equity interest held by the Group in Duoning increased from 15.86% as at December 31, 2020 to 21.78% as at June 30, 2021.

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

The financial assets at FVTPL of the Group mainly include investments in wealth management products purchased from several banks, listed equity securities and unlisted investments. The aggregated balances of the financial assets at FVTPL in the current assets and non-current assets of the Group increased by 108.9% from approximately RMB871.3 million as at December 31, 2020 to approximately RMB1,819.8 million as at June 30, 2021, mainly due to (i) an increase in investments of listed and unlisted equity interests, as the Group has continuously made new and further investments in a wide variety of companies in life science and healthcare industry to support the sustainable growth of the Group; and (ii) an increased balance in the wealth management products in various different banks.

Inventories

The inventories of the Group increased by 57.4% from approximately RMB1,084.2 million as at December 31, 2020 to approximately RMB1,706.8 million as at June 30, 2021, mainly due to (i) increased stock level in various sites, especially in Germany and the U.S., to prepare for the coming operation; and (ii) increased inventory reserve according to the Group's stock up strategy for the purpose of mitigating the supply chain risk caused by COVID-19 pandemic.

Contract Costs

The contract costs (previously called service work in progress) of the Group increased by 71.8% from approximately RMB392.1 million as at December 31, 2020 to approximately RMB673.5 million as at June 30, 2021, mainly in line with the increment of on-going projects. The slower increasing trend as compared to the revenue growth was mainly due to the effective control on labor cost and overhead which optimized the production cost flow into contract cost, coupled with the better utilization of manufacturing capacity, which has lightened the burden of fixed cost of each batch and improved the turnover in the contract cost.

Trade and Other Receivables

The trade and other receivables of the Group increased by 47.2% from approximately RMB3,241.9 million as at December 31, 2020 to approximately RMB4,771.5 million as at June 30, 2021, primarily due to (i) an increase in value added tax recoverable amounting to approximately RMB673.2 million, along with the Group's business expansion; (ii) an increase in trade receivables amounting to approximately RMB515.1 million, along with the revenue growth, especially the booming of COVID-19 projects; and (iii) an increase in other receivables related to the hedge contracts amounting to approximately RMB201.0 million.

Contract Assets

The contract assets of the Group increased by 125.3% from approximately RMB24.1 million as at December 31, 2020 to approximately RMB54.3 million as at June 30, 2021, along with the revenue growth of the Group.

Trade and Other Payables

The trade and other payables of the Group slightly decreased by 0.8% from approximately RMB2,728.5 million as at December 31, 2020 to approximately RMB2,706.6 million as at June 30, 2021, mainly due to (i) payable for additional investment in Duoning amounting to approximately RMB154.5 million as at December 31, 2020 was settled in early 2021; (ii) a decrease in salary and bonus payable amounting to approximately RMB93.8 million since the accrued annual bonus by the end of 2020 has been paid off in the first half of 2021; and (iii) a decrease in trade payables amounting to approximately RMB111.4 million, which was partially offset by the increases in other payables and payable for purchase of property, plant and equipment, in line with the Group's business expansion and workforce growth.

Contract Liabilities (Current Portion & Non-current Portion)

The contract liabilities in the current liabilities of the Group increased by 60.1% from approximately RMB664.9 million as at December 31, 2020 to approximately RMB1,064.5 million as at June 30, 2021, mainly due to more contracts have been entered into, as a result of the Group's robust increase in the number of integrated projects, coupled with the management's efforts on stringent requirement of down-payments.

The contract liabilities in the non-current liabilities of the Group represented the total instalment amounting to US$100.0 million received from a vaccine partner, and the related services will be provided beyond 12 months.

Lease Liabilities (Current Portion & Non-current Portion)

The aggregated lease liabilities in the current liabilities and non-current liabilities of the Group increased by 87.7% from approximately RMB727.2 million as at December 31, 2020 to approximately RMB1,364.9 million as at June 30, 2021, 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 aggregated balances of bank balances and cash and time deposits of the Group increased by 57.8% from approximately RMB8,368.1 million as at December 31, 2020 to approximately RMB13,203.6 million as at June 30, 2021. The increase was mainly due to (i) the receipt of net proceeds from placing of approximately RMB10,899.0 million in February 2021; (ii) the net proceeds (after deducting repayments) of bank borrowings amounting to approximately RMB366.2 million in total; and (iii) cash generated from business operations, which was partially offset by the increases in payment for purchase of property, plant and equipment and payment for acquisition of subsidiaries, along with the Group's capacity expansion.

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. Certain Group's entities have foreign currency transactions, including sales and purchases transactions, borrowings and repayment, etc., and foreign currencies denominated money assets and liabilities, which are mainly denominated in USD and EUR. It is the Group's policy to negotiate a series of derivative instruments with different banks to hedge the foreign currency risks in the ordinary course of business. Including, the Group usually enters into foreign currency forward contracts and collar contracts to hedge substantially all forecasted future USD denominated sales transactions up to 12 months, cross currency swap contracts to hedge foreign currencies denominated borrowings and repayments upon demand, forward extra contracts and European vanilla option contracts to hedge net exposure denominated in foreign currencies as needed. For details of the foreign currency risks exposed by the Company, please refer to the section headed "Currency Risk" of this report.

Significant Investments, Material Acquisitions and Disposals

As at June 30, 2021, 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 24.2% from approximately RMB2,604.7 million as at December 31, 2020 to approximately RMB3,234.6 million as at June 30, 2021, mainly due to that more bank facilities have been utilized to support the continuous business expansion, especially the overseas construction activities.

Of the total borrowings as at June 30, 2021, RMB denominated borrowings amounted to approximately RMB95.5 million with the effective interest rates ranging from 3.85% to 4.90% per annum; USD denominated borrowings amounted to approximately RMB2,592.7 million with the effective interest rates ranging from 1.67% to 2.69% per annum; and EUR denominated borrowings amounted to approximately RMB546.4 million with the effective interest rates ranging from 0.8% to 1.50% per annum, respectively.

Among all, approximately RMB1,160.6 million will be due within one year; approximately RMB1,430.4 million will be due in more than one year but within two years; approximately RMB609.0 million will be due in more than two years but within five years; and approximately RMB34.5 million will be due after five years.

As at June 30, 2021, RMB denominated borrowings of approximately RMB80.5 million was secured against the Group's buildings. The remaining borrowings were unsecured.

Contingent Liabilities and Guarantees

As at June 30, 2021, the Group did not have any material contingent liabilities or guarantees.

Charges of Assets

The Group pledged the bank deposits as collateral for the banks to issue the 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, 2021, the pledged bank deposits amounted to approximately RMB530.3 million, being relatively stable as compared to approximately RMB528.8 million as at December 31, 2020.

Also, as at June 30, 2021, the buildings with carrying amounts of approximately RMB40.9 million has been pledged for RMB denominated borrowing of approximately RMB80.5 million in China.

Gearing Ratio

Gearing ratio is calculated using interest-bearing borrowings divided by total equity and multiplied by 100%. Gearing ratio decreased from 12.5% as at December 31, 2020 to 9.6% as at June 30, 2021, mainly due to an increase in equity after placing in February 2021.

Non-IFRS Measures

To supplement the Group's consolidated financial statements which are presented in accordance with IFRS, the Company has provided adjusted net profit, adjusted net profit margin, adjusted net profit attributable to owners of the Company, 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 IFRS.

The Group believes that the adjusted financial measures are useful for understanding and assessing underlying business performance and operating trends, and that the Group'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 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 the 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,	
	2021 RMB million	2020 RMB million
Net Profit	**1,882.8**	730.7
Add: share-based compensation expense	**204.7**	126.4
Less: foreign exchange gain	**(93.1)**	(123.1)
Less: fair value gain on equity investments at FVTPL	**(182.3)**	(67.0)
Adjusted Net Profit (Notes i and ii)	**1,812.1**	667.0
Margin of Adjusted Net Profit	***41.1%***	*34.3%*
Adjusted Net Profit Attributable to Owners of the Company	**1,768.7**	672.4
Margin of Adjusted Net Profit Attributable to Owners of the Company	***40.1%***	*34.6%*
	RMB	RMB (Note iii)
Adjusted Earnings Per Share		
— Basic	**0.43**	0.17
— Diluted	**0.40**	0.16

Notes:

i. 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:

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

   b) foreign exchange gains or losses, primarily generated from revaluation of the assets and liabilities denominated in foreign currencies and the fair value change of derivative financial instruments, which the management believes is irrelevant to the Group's core business; and

   c) gains or losses of fair value change on equity investments at FVTPL, a non-operating item.

ii. The adjusted net profit for the six months ended June 30, 2020 disclosed herein was recalculated based on the calculation formula stated in Note i. The adjusted net profit and adjusted EBITDA disclosed in 2020 interim report of the Company was approximately RMB734.0 million and approximately RMB944.7 million respectively, calculated by excluding a) share-based compensation expense; and b) foreign exchange gain.

iii. Adjusted basic and diluted earnings per share were stated after taking into account the effect of the Share Subdivision. Comparative figures have also been restated on the assumption that the Share Subdivision had been effective in prior interim period.

EBITDA and Adjusted EBITDA

	Six months ended June 30,	
	2021 RMB million	2020 RMB million
Net Profit	**1,882.8**	730.7
Add: income tax expense (credit)	**175.5**	(25.6)
interest expense	**20.9**	22.4
depreciation	**286.6**	197.8
amortization	**21.3**	16.1
EBITDA	**2,387.1**	941.4
EBITDA Margin	***54.2%***	*48.4%*
Add: share-based compensation expense	**204.7**	126.4
Less: foreign exchange gain	**(93.1)**	(123.1)
Less: fair value gain on equity investments at FVTPL	**(182.3)**	(67.0)
Adjusted EBITDA (Notes i and ii)	**2,316.4**	877.7
Adjusted EBITDA Margin	***52.6%***	*45.1%*

Employee and Remuneration Policies

As at June 30, 2021, the Group employed a workforce totaling 7,686 employees. The staff costs, including Directors' emoluments but excluding any contributions to (i) retirement benefit scheme contributions; and (ii) share-based payment expenses, were approximately RMB1,184.8 million for the six months ended June 30, 2021, as compared to approximately RMB649.3 million for the six months ended June 30, 2020. 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, the Restricted Share Award Scheme and the Global Partner Program Share 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, 2021.

Other Information

Change in Director's Information

There was change in the Director's information which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since January 1, 2021 as follows:

- Mr. Yanling Cao resigned as a non-executive director of Hygeia Healthcare Holdings Co., Limited (海吉亞醫療控股有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 6078), on March 30, 2021.

Change of Director/Major Appointment

- Mr. Zhisheng Chen was appointed as the chairman of the Environment, Social and Governance Committee on March 23, 2021.

- Mr. William Robert Keller was appointed as a member of the Environment, Social and Governance Committee on March 23, 2021.

- Dr. Ning Zhao was recommended by the Board for appointment as a non-executive Director and whose appointment was subsequently approved by the Shareholders at the annual general meeting of the Company held on June 16, 2021. She was subsequently appointed as a member of each of the Remuneration Committee and the Environmental, Social and Governance Committee.

- Mr. Kenneth Walton Hitchner III was appointed as a member of the Environment, Social and Governance Committee on March 23, 2021 and a member of the Audit Committee on June 16, 2021.

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, 2021. 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.

Review of Interim Report

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 and the interim report of the Group for the Reporting Period), and was of the opinion that the interim results and interim report had been prepared in accordance with the relevant accounting standards and that adequate disclosures had been made in accordance with the requirements of the Listing Rules.

Risk Management

The Company believes that risk management is essential to the Group's efficient and effective operation. The Company's management assists the Board in evaluating material risk exposure arising internally and externally from the Group's business, including operational risks, financial risks, regulatory risks, etc. and proactively setting up appropriate risk management and internal control mechanism which is embedded in daily operation management.

Regulatory Risk

The biologics industry, being a division of the pharmaceutical and healthcare industry, has experienced drastic changes in recent years. On one hand, the National Medical Products Administration (NMPA) has introduced certain measures to improve the standards of the approval of pharmaceutical research and development and the efficiency of the approval of drug applications, i.e., the "NMPA Notice No. 126 (2017)" which is the Opinion on Implementing Priority Review and Approval to Encourage Drug Innovation and the "Notice No. 23 (2018)" which is the Announcement on Optimizing the Review and Approval of Drug Registration. On the other hand, while government policies toward the pharmaceutical industry are expected to remain stable and the government is expected to remain committed to increasing innovation as well as overall healthcare spending which is in line with the "Healthy China 2030" goals set by the State Council of the PRC, it is also observed that the companies of this industry are to comply with more stringent regulations which is closer to international standards, the punishment becomes much stricter and supervision and inspection from government will become more frequent. In 2020, NMPA published the Pharmacopoeia of the People's Republic of China (PPRC) which came into effect on December 30, 2020. All manufactured and marketed drugs should meet the related requirements of the latest version of PPRC. FDA and EMA have published a series of regulations and guidance related to COVID-19 in 2020. Furthermore, the relevant regulatory authorities are increasingly conducting planned or unplanned facility inspections for drug development and production organizations to ensure that the relevant facilities meet regulatory requirements. In response to all above, the Group sticks to the strategies of "Innovation" and "Globalization" to handle the keep-changing regulations. The Group has formed a dedicated Regulatory Affairs team which comprises professionals with years of experiences and diversified backgrounds in both domestic and overseas markets. The team members are responsible for actively following new laws, regulations and guidelines published by regulatory agencies and promoting improvements in compliance with such laws, regulations and guidelines.

Risks related to international trade agreements, tariffs and import/export regulations

In recent years, there have been more material uncertainties arose in international trade agreements, tariffs and import/export regulations (especially Sino-US bilateral trade). The momentum of international trade protectionism and unilateralism is growing. The U.S. and the PRC government have held numerous rounds of negotiations. If any new legislation and/or regulations are implemented, or if existing trade agreements are renegotiated, or if the U.S. or the PRC imposes additional burdens on international trade that negatively affect the ability of both countries to import and export goods, it may lead to a decline in material supply and demand of the Group's services. In order to mitigate this, the Group has continuously increased the layout of service capacities out of China.

Interest Rate Risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings and fixed-rate pledged bank deposits and lease liabilities. The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances and variable-rate bank borrowings. The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook. The management will review the proportion of borrowings in fixed and floating rates and ensure they are within reasonable range. In addition, the Group entered into interest rate swaps with banks to minimize its exposure to interest rate fluctuation on its variable-rate bank borrowings.

Credit Risk

During the Reporting Period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is the carrying amount of the respective recognized financial assets as stated in the consolidated statements of financial position. In order to minimize the credit risk, the management has designated a team responsible for reviewing and monitoring the credit exposure of customers by evaluating customers' credit qualification, strengthening management of customer advance payments, monitoring credit records, sending confirmations and initiating collection procedures (with involvement of senior management when necessary), to promptly recover overdue debts. With more new customers being introduced, and the more uncertainties in the future global politics and economics, the management has also made efforts to prudently assess credit limits, approve credit term granted and other monitoring procedures to monitor the overall risk exposure. In addition, the Board considers that the impairment losses under ECL (Expected Credit Loss) model have been of a more conservative view in credit risk control. The management has been continuously managing the credit risk through periodic review and monitoring on the doubtful debts.

The Board is of the view that the credit risk on time deposits, pledged bank deposits, bank balances and wealth management products is limited because the majority of the counterparties are state-owned banks with good reputation or banks and financial institutions with good credit rating. In addition, to regulate the management of surplus fund, the Group has set up relevant policies and procedures, which clearly state that no speculative transaction is allowed. Also the criteria for evaluating the available products in the market are set in the following sequence of priority: safety, liquidity and then returns. Other requirements like the approved list of financial institutions, the maximum placement per transaction and the aggregate amount in the individual financial institution are also clearly defined. With all the above, the Directors consider the credit risk in relation to time deposits, pledged bank deposits, bank balances and wealth management products has been significantly reduced.

Currency Risk

The Group principally operates in China. Following the "Global Dual Sourcing" manufacturing paradigm, it 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 and EUR.

During the Reporting Period, a majority of the Group's revenue was generated from sales denominated in USD, while most of the purchase of raw materials, property, plant and equipment and expenditures were settled in RMB in China and in EUR in Europe. Furthermore, the Group had USD and EUR denominated borrowings to provide financing of the Group's overseas construction and operation. Also at the end of each reporting period, the Group has maintained foreign currencies denominated monetary assets and liabilities (mainly in USD and EUR) which expose the Group to foreign currency risk. As a result, the Group's operating margins were impacted when the foreign exchange rates fluctuated, especially between USD and RMB.

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 exchange rates.

Data Privacy and Data Security Risk

Data privacy and data security are increasingly being included in highly regulatory areas. We are required to comply with local, national and international data protection and privacy laws, instructions, regulations and guidelines, and contractual obligations that are applicable to the collection, use, retention, protection, disclosure, transfer, and processing of personal data, in different jurisdictions where we operate and carry out business activities. Such data protection and privacy laws and regulations are constantly changing, which may lead to the continuous strengthening of public supervision and enforcement, the escalation of penalties, and the increase of compliance costs.

Although we have adopted data security policies and measures to protect our proprietary data and data privacy, we may still encounter and will continue to experience threats to our data and systems, including computer viruses, malicious code, phishing, ransomware, hacker attacks, and other cyber security attacks. With the diversity of sources and technologies of network attacks, we may not be able to predict all types of security threats, or to implement effective preventive measures against all security threats. For this reason, the management has paid continuous attention to related risks, and will put more resources and investment into the relevant areas for continuous management and enhancement.

COVID-19 Impact

The continuous outbreak of COVID-19 has caused a significant adverse impact on the global economy. There are still travel restrictions and quarantine requirements between different countries and regions. Normal economic activities are still restricted in some countries and regions. Virtual meetings and remote working are expected to continue.

In general, thanks to the Group's Business Continuity Plan, the impact of COVID-19 on the Group's business is limited. However, due to COVID-19, the work focus of the regulatory agencies is temporarily inclined toward COVID-19 related work, which may affect the original schedule of some other projects. The overall supply of our raw materials and equipment is stable; due to the impact of COVID-19 and other quarantine requirements, the delivery time nevertheless will also face certain challenges.

On the other hand, because of our state-of-the-art technical platforms and excellent team, we have obtained a large number of orders for the treatment and prevention of COVID-19. A significant portion of employees have been involved in different COVID-19 related projects and thus have comprised of part of the increase of revenue.

At present there is no exact information to determine when and whether COVID-19 can be fully controlled. We will stay vigilant to its potential impact and will make necessary arrangements and measures as and when appropriate.

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or its Associated Corporations

As at June 30, 2021, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept pursuant to Section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Interests in Shares or underlying Shares of the Company

Name of Director	Capacity/ Nature of interest	Number of Shares/underlying Shares held[1]	Approximate percentage of shareholding interest[2]
Dr. Ge Li	Interests of controlled corporations[3]; Interests of parties acting in concert[5]	730,251,133 (L)	17.23%
Dr. Ning Zhao	Interest of spouse[4]; Interests of parties acting in concert[5]	730,251,133 (L)	17.23%
Dr. Zhisheng Chen	Beneficial owner and Founder of a discretionary trust[6]	11,230,988 (L)	2.79%
	Beneficial owner[7]	102,532,000 share options (L)	
	Beneficial owner[8]	4,491,596 restricted shares (L)	
Dr. Weichang Zhou	Beneficial owner	47,754 (L)	0.38%
	Beneficial owner[7]	15,089,000 share options (L)	
	Beneficial owner[8]	996,132 restricted shares (L)	
Mr. William Robert Keller	Beneficial owner	15,307 (L)	0.00%
	Beneficial owner[8]	2,467 restricted shares (L)	
Mr. Teh-Ming Walter Kwauk	Beneficial owner	13,675 (L)	0.00%
	Beneficial owner[8]	4,934 restricted shares (L)	
Mr. Kenneth Walton Hitchner III	Beneficial owner	40,000 (L)	0.00%
	Beneficial owner[8]	4,934 restricted shares (L)	

Notes:

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

(2) As at June 30, 2021, total number of Shares in issue is 4,238,123,142 Shares.

(3) Dr. Ge Li controlled, 20.90% of the issued share capital of Biologics Holdings and 56.92% of the voting power at its general meeting. Hence, Dr. Ge Li is deemed to be interested in 730,251,133 Shares held by Biologics Holdings.

(4) Dr. Ning Zhao is the spouse of Dr. Ge Li, and is therefore deemed to be interested in the Shares which are interested by Dr. Ge Li.

(5) Dr. Ge Li entered into an acting-in-concert agreement dated June 30, 2016 with Dr. Ning Zhao, Mr. Zhaohui Zhang and Mr. Xiaozhong Liu to acknowledge and confirm their acting in-concert relationship in relation to the Company.

(6) The 9,934,254 Shares held by Dr. Zhisheng Chen through a trust of which Dr. Zhisheng Chen is the settlor (founder) and his spouse and child are the beneficiaries.

(7) Interests in share options granted pursuant to the Pre-IPO Share Option Scheme.

(8) Interests in restricted shares granted pursuant to the Restricted Share Award Scheme.

Save as disclosed above, as at June 30, 2021, so far as it was known to the Directors or chief executive of the Company, none of the Directors or chief executive of the Company had interests or short positions in the Shares, underlying Shares and debentures of the Company or its associated corporations as recorded in the register required to be kept, pursuant to Section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares of the Company

As at June 30, 2021, so far as it was known to the Directors or chief executive of the Company, the following persons (other than the Directors and chief executive of the Company) had interests and/or short positions in the Shares or underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO.

Interests in Shares or underlying Shares of the Company

Name of Shareholder	Capacity/Nature of Interest	Number of Shares[1]	Approximate percentage of shareholding interest[2]
Dr. Ge Li	Interests of controlled corporations[3]; Interests of parties acting in concert[5]	730,251,133 (L)	17.23%
Dr. Ning Zhao	Interests of spouse[4]; Interests of parties acting in concert[5]	730,251,133 (L)	17.23%
Mr. Zhaohui Zhang	Interests of parties acting in concert[5]	730,251,133 (L)	17.23%
Mr. Xiaozhong Liu	Interests of parties acting in concert[5]	730,251,133 (L)	17.23%
Life Science Holdings	Interests of controlled corporations[6]	730,251,133 (L)	17.23%
Life Science Limited	Interests of controlled corporations[6]	730,251,133 (L)	17.23%
WuXi PharmaTech	Interests of controlled corporations[6]	730,251,133 (L)	17.23%
Biologics Holdings	Beneficial owner[6]	730,251,133 (L)	17.23%
JPMorgan Chase & Co.	Investment manager [7]	374,590,839 (L) 7,887,501 (S) 165,728,192 (P)	8.84% 0.19% 3.91%
The Capital Group Companies, Inc.	Interests of controlled corporations[8]	291,515,252 (L)	6.88%
BlackRock, Inc.	Interests of controlled corporations[9]	209,859,826 (L) 1,480,500 (S)	4.95% 0.03%

Notes:

(1) The letter "L" denotes the person's long position in the Shares; the letter "S" denotes the person's short position in the Shares; and the letter "P" denotes the person's lending pool in the Shares.

(2) As at June 30, 2021, total number of Shares in issue is 4,238,123,142 Shares.

(3) Dr. Ge Li controlled, 20.90% of the issued share capital of Biologics Holdings and 56.92% of the voting power at its general meetings. Hence, Dr. Ge Li is deemed to be interested in 730,251,133 Shares held by Biologics Holdings.

(4) Dr. Ning Zhao is the spouse of Dr. Ge Li and is deemed to be interested in the Shares interested by Dr. Ge Li.

(5) Dr. Ge Li, Dr. Ning Zhao, Mr. Zhaohui Zhang and Mr. Xiaozhong Liu entered into an acting-in-concert agreement on June 30, 2016 to acknowledge and confirm their acting-in-concert relationship in relation to the Company. Hence, Dr. Ge Li, Dr. Ning Zhao, Mr. Zhaohui Zhang and Mr. Xiaozhong Liu are deemed to be interested in the Shares held by each other.

(6) Life Science Holdings wholly owned Life Science Limited, which wholly owned WuXi PharmaTech which in turn controlled 43.08% of the voting power at general meetings of Biologics Holdings. Biologics Holdings directly owned 730,251,133 Shares. Life Science Holdings, Life Science Limited and WuXi PharmaTech are deemed to be interested in the Shares held by Biologics Holdings.

(7) The Shares held by JPMorgan Chase & Co. were held via different entities in the following capacities:

No. of Shares[1]	Capacity
16,456,232 (L)	Interests of controlled corporations
7,887,501 (S)	
190,760,445 (L)	Investment manager
1,093,098 (L)	Person having a security interest in shares
552,872 (L)	Trustee
165,728,192 (L)	Approved lending agent

(8) The Capital Group Companies, Inc. wholly owned Capital Research and Management Company, which wholly owned Capital Group International, Inc., which wholly owned Capital International Limited, Capital International Sàrl and Capital International, Inc., in aggregate interested in 5,546,300 Shares. Capital Research and Management Company is deemed to be interested in 5,546,300 Shares and the 285,968,952 Shares which it has direct interest in. Hence, The Capital Group Companies, Inc. is deemed to be interested in 291,515,252 Shares, which include 485,248 derivative interests.

(9) BlackRock Inc. is deemed to be interested in the long position of a total of 209,859,826 Shares and in the short position of 1,480,500 Shares indirectly through a series of controlled corporations.

Pre-IPO Share Option Scheme

The Company adopted the Pre-IPO Share Option Scheme pursuant to the resolutions of its Shareholders passed on January 5, 2016, which was subsequently amended on August 10, 2016 pursuant to the resolutions of the Board.

The purpose of the Pre-IPO Share Option Scheme is to attract, retain and motivate employees, Directors and such other participants of the Group, to provide a means of compensating them through the grant of options under the Pre-IPO Share Option Scheme for their contribution to the growth and profits of the Group, and to allow them to participate in the growth and profitability of the Group. Participants of the Pre-IPO Share Option Scheme include (a) any employee (whether full-time or part-time) of the Company or its subsidiaries, including any executive Director, (b) any non-executive Director or independent non-executive Director of the Company appointed or proposed to be appointed prior to the Listing Date, or any director of any of the subsidiaries, and (c) any other person who in the sole opinion of the Board, will contribute or have contributed to the Group. No further option would be granted under the Pre-IPO Share Option Scheme on or after the Listing Date.

The table below shows details of the movements in the share options granted and outstanding under the Pre-IPO Share Option Scheme during the Reporting Period.

Category of participants	Date of Grant	Exercise Price	Outstanding as at January 1, 2021	Granted during the Reporting Period	Exercised during the Reporting Period	Forfeited during the Reporting Period	Outstanding as at June 30, 2021
Directors							
Dr. Zhisheng Chen	January 7, 2016	USD0.1667	88,200,000	—	3,200,000	—	85,000,000
	March 15, 2017	USD0.3400	17,532,000	—	—	—	17,532,000
			105,732,000	—	3,200,000	—	102,532,000
Dr. Weichang Zhou	January 7, 2016	USD0.1667	13,596,000	—	1,000,000	—	12,596,000
	March 15, 2017	USD0.3400	2,493,000	—	—	—	2,493,000
			16,089,000	—	1,000,000	—	15,089,000
Sub-total			**121,821,000**	**—**	**4,200,000**	**—**	**117,621,000**
Employees in aggregate							
230 employees	January 7, 2016	USD0.1667	65,241,100	—	16,473,222	—	48,767,878
24 employees	March 28, 2016	USD0.1667	2,254,075	—	250,600	—	2,003,475
102 employees	August 10, 2016	USD0.2200	9,433,200	—	326,210	187,200	8,919,790
92 employees	November 11, 2016	USD0.2633	8,508,500	—	1,077,997	28,800	7,401,703
321 employees	March 15, 2017	USD0.3400	26,275,500	—	2,355,427	297,600	23,622,473
74 employees	May 12, 2017	USD0.6000	6,331,530	—	322,500	—	6,009,030
Sub-total			**118,043,905**	**—**	**20,805,956**	**513,600**	**96,724,349**
Total			**239,864,905**	**—**	**25,005,956**	**513,600**	**214,345,349**

In respect of the share options exercised during the Reporting Period, the weighted average closing price at the date of exercise was HK$111.46 and the weighted average closing price at the date immediately before the exercise was HK$109.87.

In accordance with Pre-IPO Share Option Scheme, the total number of Shares issued and to be issued upon exercise of the options granted to each participant (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the Shares in issue. The exercise price was determined by the Board, as it thought fit taking into account a participant's contribution to the development and growth of the Group.

The options granted under the Pre-IPO Share Option Scheme shall be exercisable during a period from the vesting date of the option until the expiry of ten years from the date of the grant of the option. Details of the movements of the options granted and outstanding during the Reporting Period, exercise price, the vesting period and the impact of options granted under the Pre-IPO Share Option Scheme on the financial statements are set out under note 34 to the condensed consolidated financial statements.

Restricted Share Award Scheme

The Company has also adopted the Restricted Share Award Scheme on January 15, 2018 to (i) recognize the contributions by Selected Participants; (ii) encourage, motivate and retain the Selected Participants, whose contributions are beneficial to the continual operation, development and long-term growth of the Group; and (iii) provide additional incentive for the Selected Participants to achieve performance goals, with a view to achieving the objectives of increasing the value of the Group and aligning the interests of the Selected Participants to the shareholders of the Company through ownership of Shares. The Restricted Share Award Scheme became effective on January 15, 2018. Subject to earlier termination by the Board, the Restricted Share Award Scheme shall be valid and effective for a period of 10 years from the adoption date. The maximum number of shares which can be awarded under the Restricted Share Award Scheme and to a Selected Participant are limited to 3% (i.e. 104,859,097 Shares, after taking into account the share subdivision which took effect on November 16, 2020) of the issued share capital of the Company as at the adoption date.

Pursuant to the Restricted Share Award Scheme, the Board shall select the Eligible Participant and determine the number of shares to be awarded.

The Company shall comply with the relevant Listing Rules when granting the restricted shares. If awards are made to the directors or substantial shareholders of the Group, such awards shall constitute connected transaction under Chapter 14A of the Listing Rules and the Company shall comply with the relevant requirements under the Listing Rules.

The table below shows details of the restricted shares granted under the Restricted Share Award Scheme during the Reporting Period.

Category of participants	Date of Grant	Outstanding as at January 1, 2021	Granted during the Reporting Period	Vested during the Reporting Period	Forfeited during the Reporting Period	Outstanding as at June 30, 2021	Vesting Period
Directors							
Dr. Zhisheng Chen	June 5, 2019	2,959,500	—	591,900	—	2,367,600	5 years
	November 12, 2020	1,178,796	—	—	—	1,178,796	5 years
	June 16, 2021	—	945,200	—	—	945,200	5 years
		4,138,296	945,200	591,900	—	4,491,596	—
Dr. Weichang Zhou	June 5, 2019	473,520	—	94,704	—	378,816	5 years
	November 12, 2020	353,637	—	—	—	353,637	5 years
	June 16, 2021	—	263,679	—	—	263,679	5 years
		827,157	263,679	94,704	—	996,132	—
Mr. Edward Hu (Retired on June 16, 2021)	June 9, 2020	13,680	—	13,680	—	—	1 year
		13,680	—	13,680	—	—	—
Mr. William Robert Keller	June 9, 2020	6,840	—	6,840	—	—	1 year
	June 16, 2021	—	2,467	—	—	2,467	1 year
		6,840	2,467	6,840	—	2,467	—
Mr. Teh-Ming Walter Kwauk	June 9, 2020	13,680	—	13,680	—	—	1 year
	June 16, 2021	—	4,934	—	—	4,934	1 year
		13,680	4,934	13,680	—	4,934	—
Mr. Kenneth Walton Hitchner III	June 16, 2021	—	4,934	—	—	4,934	1 year
		—	4,934	—	—	4,934	—
Sub-total		**4,999,653**	**1,221,214**	**720,804**	**—**	**5,500,063**	

Category of participants	Date of Grant	Outstanding as at January 1, 2021	Granted during the Reporting Period	Vested during the Reporting Period	Forfeited during the Reporting Period	Outstanding as at June 30, 2021	Vesting Period
Employees in aggregate							
259 employees	January 15, 2018	5,066,760	—	1,266,690	605,844	3,194,226	5 years
540 employees	March 20, 2018	3,554,628	—	883,515	108,291	2,562,822	5 years
170 employees	June 13, 2018	1,254,174	—	308,613	21,612	923,949	5 years
202 employees	August 21, 2018	2,727,846	—	11,204	69,543	2,647,099	5 years
124 employees	November 20, 2018	1,941,925	—	—	43,394	1,898,531	5 years
6 employees	March 19, 2019	137,910	—	27,580	—	110,330	5 years
846 employees	June 5, 2019	9,113,784	—	1,787,584	207,938	7,118,262	5 years
335 employees	August 20, 2019	4,212,252	—	—	156,576	4,055,676	5 years
67 employees	November 20, 2019	1,293,948	—	—	51,129	1,242,819	5 years
383 employees	March 27, 2020	4,892,280	—	—	169,290	4,722,990	5 years
77 employees	June 9, 2020	1,830,762	—	—	59,688	1,771,074	5 years
126 employees	August 18, 2020	1,799,517	—	—	59,886	1,739,631	5 years
1,391 employees	November 12, 2020	4,827,270	—	—	247,644	4,579,626	5 years
1,617 employees	March 24, 2021	—	4,736,220	—	64,765	4,671,455	5 years
3 employees	June 16, 2021	—	271,927	—	—	271,927	5 years
1,752 employees	June 17, 2021	—	13,128,486	—	31,105	13,097,381	5 years
Sub-total		**42,653,056**	**18,136,633**	**4,285,186**	**1,896,705**	**54,607,798**	
Total		**47,652,709**	**19,357,847**	**5,005,990**	**1,896,705**	**60,107,861**	

During the Reporting Period, a total of 19,357,847 restricted shares were granted under the Restricted Share Award Scheme. Details of the movements in the Restricted Share Award Scheme during the Reporting Period are set out in note 34 to the condensed consolidated financial statements.

Global Partner Program Share Scheme

The Company has adopted the Global Partner Program Share Scheme on June 16, 2021 to further reward and incentivize the Group's top employees and attract key talents to ensure the continuous business development and growth of the Company. In order to further align the interests of the top employees and the shareholders of the Company, the Selected Participants who have significant contributions to the Group's business development and growth will be granted restricted shares under the Global Partner Program Share Scheme. Accordingly, the number of restricted shares to be granted and its value will be determined based on various performance-related considerations, such as the fulfillment by the respective Selected Participants of their individual performance targets as well as the overall business performance of the Group as a whole. The Global Partner Program Share Scheme will initially be valid and effective for a period of 10 years commencing on its adoption date. Pursuant to the Global Partner Program Share Scheme, the restricted shares will be satisfied by (i) existing Shares to be acquired by the Trustee on the market, and/or (ii) new Shares to be issued and allotted to the Trustee by the Company under the general or specific mandate sought from the shareholders of the Company at its general meeting. No restricted shares were granted during the Reporting Period under the Global Partner Program Share Scheme.

Use of Net Proceeds

Use of Proceeds from Placing

On October 31, 2019, the Company entered into a placing agreement with the Morgan Stanley & Co. International plc (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 have been used for the 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. By the end of June 2021, the net proceeds have been fully utilized.

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 net price per Third Placing share was approximately HK$136.04. The closing price was HK$148.70 per share as quoted on the Stock Exchange on the date of the placing agreement.

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. The table below sets out the planned applications of the net proceeds and actual usage up to June 30, 2021:

Use of proceeds	Planned applications (RMB million)	Percentage of total net proceeds	Actual usage up to June 30, 2021 (RMB million)	Net proceeds brought forward for the Reporting Period (RMB million)	Unutilized net proceeds as at June 30, 2021 (RMB million)	Expected timeline for utilizing the remaining unutilized net proceeds[1]
To construct 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	5,545.8	100%	1,358.4	5,545.8	4,187.4	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 February 2, 2021, the Company entered into a placing agreement with the Placing Agent, pursuant to which the Placing Agent agreed to place 118,000,000 shares (or, failing which, to purchase itself as principal) on a fully underwritten basis to not less than six independent investors (the "**Fourth Placing**"). The Fourth Placing price was HK$112.00 per share. The net price per Fourth Placing share was approximately HK$111.20. The closing price was HK$120.40 per share as quoted on the Stock Exchange on the date of the placing agreement.

The net proceeds from the Fourth Placing were approximately HK$13,121.24 million, which will be used in the following manner: (i) approximately 40% will be used for merger and acquisition of additional capacities for drug substances/drug products (DS/DP) manufacturing to match a rapidly growing pipeline; (ii) approximately 40% will be used for building-up of additional large scale manufacturing capacities for various technology platforms, including microbial and mammalian platforms; (iii) approximately 10% will be used for investment in mRNA (messenger RNA) related technologies to further enable its global clients; and (iv) approximately 10% shall be used for general corporate purposes of the Group. The table below sets out the planned applications of the net proceeds and actual usage up to June 30, 2021:

Use of proceeds	Planned applications (RMB million)	Percentage of total net proceeds	Actual usage up to June 30, 2021 (RMB million)	Net proceeds brought forward for the Reporting Period (RMB million)	Unutilized net proceeds as at June 30, 2021 (RMB million)	Expected timeline for utilizing the remaining unutilized net proceeds[1]
Merger and acquisition of additional capacities for drug substances/ drug products (DS/DP) manufacturing	4,359.6	40%	2,989.0	—	1,370.6	By the end of 2023
Building-up of additional large scale manufacturing capacities for various technology platforms, including microbial and mammalian platforms	4,359.6	40%	—	—	4,359.6	By the end of 2023
Investment in mRNA related technologies	1,089.9	10%	—	—	1,089.9	By the end of 2023
General corporate purposes of the Group	1,089.9	10%	1,089.9	—	—	
Total	**10,899.0**	**100%**	**4,078.9**	**—**	**6,820.1**	

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.

Other Information

Purchase, Sale or Redemption of the Listed Securities of the Company

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

Key Events after the Reporting Period

The Group has the following events taken place subsequent to June 30, 2021:

- The Group received a License of Manufacturing Permit from German health authorities for its DP7 in Leverkusen, Germany. This license represents another remarkable milestone in the Group's efforts to establish premier quality operations on a global scale.

- The Group once again received an EU EMA GMP certificate for the biosafety testing facility in Suzhou, only 13 months after receiving its first EU EMA GMP certificate. This certificate demonstrates the Group's compliance to global cGMP biosafety testing standards and regulatory guidelines.

Future Plan for Material Investments and Capital Assets

The Group will continue to invest in its capacity expansion plan. Please refer to "Capacity Expansion" section in Management Discussion and Analysis and "Use of Net Proceeds" section in this interim report.

Report on Review of Condensed Consolidated Financial Statements

Deloitte. 德勤

TO THE BOARD OF DIRECTORS OF WUXI BIOLOGICS (CAYMAN) INC.
(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of WuXi Biologics (Cayman) Inc. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 52 to 112, which comprise the condensed consolidated statement of financial position as of June 30, 2021 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

August 23, 2021

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended June 30, 2021

	NOTES	Six months ended June 30, 2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Revenue	4	**4,406,754**	1,944,103
Cost of sales and services		**(2,109,921)**	(1,156,797)
Gross profit		**2,296,833**	787,306
Other income	5	**127,273**	148,429
Other gains and losses	6	**311,533**	225,716
Impairment losses under expected credit loss model, net of reversal	8	**(133,166)**	(56,587)
Selling and marketing expenses		**(60,356)**	(48,460)
Administrative expenses		**(347,640)**	(203,378)
Research and development expenses		**(115,375)**	(124,414)
Share of loss of an associate		**—**	(1,101)
Finance costs	7	**(20,874)**	(22,405)
Profit before tax	8	**2,058,228**	705,106
Income tax (expense) credit	9	**(175,450)**	25,598
Profit for the period		**1,882,778**	730,704
Other comprehensive expense:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**(223,762)**	(2,463)
Fair value loss on hedging instruments designated in fair value hedges and cash flow hedges, net of related income tax		**(127,558)**	(49,568)
Other comprehensive expense for the period		**(351,320)**	(52,031)
Total comprehensive income for the period		**1,531,458**	678,673

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended June 30, 2021

	NOTES	Six months ended June 30, 2021 RMB'000 (Unaudited)	Six months ended June 30, 2020 RMB'000 (Unaudited)
Profit (loss) for the period attributable to:			
Owners of the Company		**1,842,140**	736,113
Non-controlling interests		**40,638**	(5,409)
		1,882,778	730,704
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		**1,503,365**	683,761
Non-controlling interests		**28,093**	(5,088)
		1,531,458	678,673
		RMB	RMB
Earnings per share — Basic	11	**0.44**	0.19
— Diluted	11	**0.42**	0.18

Condensed Consolidated Statement of Financial Position

As at June 30, 2021

	NOTES	June 30, 2021 RMB'000 (Unaudited)	December 31, 2020 RMB'000 (Audited)
Non-current Assets			
Property, plant and equipment	12	**16,206,245**	11,996,171
Right-of-use assets	12	**1,532,440**	874,153
Goodwill	13	**1,334,140**	185,408
Intangible assets	14	**585,498**	391,857
Investment of an associate measured at fair value through profit or loss ("FVTPL")	15	**398,718**	187,520
Equity instruments at fair value through other comprehensive income ("FVTOCI")	16	**125,904**	127,167
Financial assets at FVTPL	17	**1,084,079**	758,813
Finance lease receivables		**84,464**	87,672
Derivative financial assets	27	**15,701**	20,870
Deferred tax assets		**174,706**	80,136
Other long-term deposits and prepayments	18	**59,535**	49,478
		21,601,430	14,759,245
Current Assets			
Inventories	19	**1,706,759**	1,084,192
Finance lease receivables		**8,940**	8,615
Trade and other receivables	20	**4,771,475**	3,241,878
Contract assets	21	**54,282**	24,069
Contract costs	22	**673,516**	392,123
Tax recoverable		**5,342**	3,147
Derivative financial assets	27	**289,336**	440,997
Financial assets at FVTPL	17	**735,744**	112,469
Time deposits	23	**1,921,880**	1,272,356
Pledged bank deposits	23	**530,336**	528,787
Bank balances and cash	23	**11,281,712**	7,095,735
		21,979,322	14,204,368
Current Liabilities			
Trade and other payables	24	**2,706,626**	2,728,543
Borrowings	25	**1,160,640**	767,126
Contract liabilities	26	**1,064,450**	664,863
Income tax payable		**309,674**	250,893
Lease liabilities		**133,438**	60,711
Derivative financial liabilities	27	**66,734**	26,112
		5,441,562	4,498,248
Net Current Assets		**16,537,760**	9,706,120
Total Assets less Current Liabilities		**38,139,190**	24,465,365

Condensed Consolidated Statement of Financial Position

As at June 30, 2021

	NOTES	June 30, 2021 RMB'000 (Unaudited)	December 31, 2020 RMB'000 (Audited)
Non-current Liabilities			
Deferred tax liabilities		**197,675**	180,885
Borrowings	25	**2,073,931**	1,837,623
Financial liability at FVTPL	32	**154,682**	—
Contract liabilities	26	**657,305**	659,949
Lease liabilities		**1,231,420**	666,513
Derivative financial liabilities	27	**6,313**	7,259
Deferred income	28	**234,085**	213,740
		4,555,411	3,565,969
Net Assets		**33,583,779**	20,899,396
Capital and Reserves			
Share capital	29	**234**	225
Reserves		**33,220,501**	20,564,220
Equity attributable to owners of the Company		**33,220,735**	20,564,445
Non-controlling interests		**363,044**	334,951
Total Equity		**33,583,779**	20,899,396

The condensed consolidated financial statements on pages 52 to 112 were approved and authorized for issue by the Board of Directors on August 23, 2021 and are signed on its behalf by:

Zhisheng Chen
DIRECTOR

Weichang Zhou
DIRECTOR

Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 2021

	Attributable to owners of the Company											
	Share capital RMB'000	Share premium RMB'000	Statutory reserve RMB'000 (note i)	Equity-settled share-based compensation reserve RMB'000 (note ii)	Cash flow and fair value hedging reserve RMB'000	FVTOCI reserve RMB'000	Group reorganization reserve RMB'000 (note iii)	Foreign currency translation reserve RMB'000	Retained earnings RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At January 1, 2020 (Audited)	214	10,260,207	201,182	435,907	15,120	–	(4,636)	(2,526)	1,878,895	12,784,363	111,737	12,896,100
Profit for the period	–	–	–	–	–	–	–	–	736,113	736,113	(5,409)	730,704
Other comprehensive income (expense) for the period												
– Fair value adjustments on foreign currency forward contracts designated as cash flow hedges	–	–	–	–	(73,301)	–	–	–	–	(73,301)	–	(73,301)
– Recycling from cash flow hedging reserve to profits or loss arising from foreign currency forward contracts	–	–	–	–	23,733	–	–	–	–	23,733	–	23,733
– Exchange difference arising from translation of foreign operations	–	–	–	–	–	–	–	(2,784)	–	(2,784)	321	(2,463)
Total comprehensive income (expense) for the period	–	–	–	–	(49,568)	–	–	(2,784)	736,113	683,761	(5,088)	678,673
Recognition of equity-settled share-based compensation	–	–	–	128,347	–	–	–	–	–	128,347	–	128,347
Exercise of pre-IPO share options and vest of restricted shares	1	79,341	–	(41,531)	–	–	–	–	–	37,811	–	37,811
Issue of new shares (Note 29)	1	(1)	–	–	–	–	–	–	–	–	–	–
Capital injection by non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	37,922	37,922
Disposal of partial equity interest in subsidiaries without losing control	–	–	–	–	–	–	–	–	407	407	(407)	–
Transaction costs attributable to issue of new shares	–	(286)	–	–	–	–	–	–	–	(286)	–	(286)
At June 30, 2020 (Unaudited)	216	10,339,261	201,182	522,723	(34,448)	–	(4,636)	(5,310)	2,615,415	13,634,403	144,164	13,778,567
At January 1, 2021 (Audited)	**225**	**15,949,665**	**333,657**	**640,531**	**241,720**	**(2,686)**	**(4,636)**	**(29,744)**	**3,435,713**	**20,564,445**	**334,951**	**20,899,396**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,842,140**	**1,842,140**	**40,638**	**1,882,778**
Other comprehensive income (expense) for the period												
– Fair value adjustments on fair value hedges and cash flow hedges	**–**	**–**	**–**	**–**	**84,577**	**–**	**–**	**–**	**–**	**84,577**	**–**	**84,577**
– Recycling from cash flow hedging reserve to profits or loss	**–**	**–**	**–**	**–**	**(212,135)**	**–**	**–**	**–**	**–**	**(212,135)**	**–**	**(212,135)**
– Exchange difference arising from translation of foreign operations	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(211,217)**	**–**	**(211,217)**	**(12,545)**	**(223,762)**
Total comprehensive income (expense) for the period	**–**	**–**	**–**	**–**	**(127,558)**	**–**	**–**	**(211,217)**	**1,842,140**	**1,503,365**	**28,093**	**1,531,458**
Recognition of equity-settled share-based compensation	**–**	**–**	**–**	**222,623**	**–**	**–**	**–**	**–**	**–**	**222,623**	**–**	**222,623**
Exercise of pre-IPO share options and vest of restricted shares	**2**	**127,116**	**–**	**(95,845)**	**–**	**–**	**–**	**–**	**–**	**31,273**	**–**	**31,273**
Issue of new shares (Note 29)	**7**	**10,977,731**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**10,977,738**	**–**	**10,977,738**
Transaction costs attributable to issue of new shares	**–**	**(78,709)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(78,709)**	**–**	**(78,709)**
At June 30, 2021 (Unaudited)	**234**	**26,975,803**	**333,657**	**767,309**	**114,162**	**(2,686)**	**(4,636)**	**(240,961)**	**5,277,853**	**33,220,735**	**363,044**	**33,583,779**

Notes:

(i) In accordance with the Articles of Association of all subsidiaries of WuXi Biologics (Cayman) Inc. (the "Company") established in the People's Republic of China (the "PRC"), they are required to transfer 10% of the profit after tax to the statutory reserve until the reserve reaches 50% of their registered capital. Transfer to this reserve must be made before distributing dividends to equity holders. The statutory reserve can be used to make up for previous years' losses, expand the existing operations or convert into additional capital of the subsidiaries.

(ii) The amount represents the equity-settled share-based compensation in respect of share options for shares of WuXi PharmaTech (Cayman) Inc. ("WuXi PharmaTech"), the then ultimate holding company of the Company before the completion of a group reorganization of the Company (see note iii below), for the equity instruments granted by WuXi PharmaTech to certain directors of the Company and employees of the Company and its subsidiaries (collectively referred to as the "Group") for their service rendered to the Group, and the equity-settled share-based compensation under the Company's pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") and the Company's restricted share award scheme (the "Restricted Share Award Scheme") as disclosed in Note 34.

(iii) Group reorganization reserve represents the combined capital contribution of the entities comprising the Group, net of the settlement of the payables to their then shareholders; and the administration service cost borne or on behalf of the fellow subsidiaries by the Company prior to the completion of a group reorganization to rationalize the current group structure as at December 31, 2015.

Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2021

	Six months ended June 30,	
	2021	2020
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
NET CASH FROM OPERATING ACTIVITIES	**798,005**	430,593
INVESTING ACTIVITIES		
Receipt of interest from banks	**15,832**	29,587
Proceeds on disposal of property, plant and equipment	**73,347**	35,288
Purchases of property, plant and equipment	**(4,073,130)**	(2,913,068)
Payments for rental deposits	**(20,909)**	(4,768)
Payments for acquisition deposits	**(9,316)**	—
Withdrawal of other financial assets	**—**	1,401,000
Purchase of other financial assets	**—**	(1,093,000)
Withdrawal of financial assets at FVTPL	**41,264,040**	7,381,510
Placement of financial assets at FVTPL	**(42,018,035)**	(8,241,462)
R&D and other grants received	**17,344**	15,240
Withdrawal of time deposits	**177,768**	—
Placement of time deposits	**(840,574)**	(534,003)
Placement of pledged bank deposits	**—**	(97,147)
Acquisition of investment of an associate measured at FVTPL	**(354,526)**	—
Settlement of derivative financial instruments	**2,679**	(10,227)
Payment for acquisition of subsidiaries	**(2,025,922)**	—
Repayment of loan to an associate	**50,000**	—
NET CASH USED IN INVESTING ACTIVITIES	**(7,741,402)**	(4,031,050)
FINANCING ACTIVITIES		
Proceeds from bank borrowings	**650,290**	1,169,935
Repayments of bank borrowings	**(284,051)**	(142,300)
Interest paid	**(41,598)**	(35,697)
Repayments of lease liabilities	**(39,408)**	(22,948)
Capital injection by non-controlling shareholders	**—**	37,922
Proceeds from issue of ordinary shares	**10,977,738**	—
Payment of issue cost	**(78,709)**	(286)
Proceeds from exercise of pre-IPO share options	**31,273**	37,811
NET CASH FROM FINANCING ACTIVITIES	**11,215,535**	1,044,437
Effect of foreign exchange rate changes	**(86,161)**	60,630
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**4,185,977**	(2,495,390)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**7,095,735**	6,205,496
CASH AND CASH EQUIVALENTS AT END OF PERIOD, REPRESENTED BY BANK BALANCES AND CASH	**11,281,712**	3,710,106

1. GENERAL INFORMATION

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 Group is 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 ("IAS 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, as appropriate.

Other than additional accounting policies resulting from application of 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, 2021 are the same as those presented in the Group's annual financial statements for the year ended December 31, 2020.

Application of amendments to IFRSs

In the current interim period, the Group has applied the following amendments to IFRSs issued by the IASB, for the first time, which are mandatorily effective for the annual periods beginning on or after January 1, 2021 for the preparation of the Group's condensed consolidated financial statements:

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform — Phase 2*

In addition, the Group has early applied the Amendment to IFRS 16 "Covid-19-Related Rent Concessions beyond June 30, 2021".

3. PRINCIPAL ACCOUNTING POLICIES (continued)

Application of amendments to IFRSs (continued)

Except as described below, the application of the amendments to IFRSs in the current interim 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.

3.1 Impacts on early application of Amendment to IFRS 16 "Covid-19-Related Rent Concessions beyond June 30, 2021"

The Group has early applied the amendment in the current interim period. The application of this amendment has had no material impact on the Group's financial positions and performance for the current and prior periods.

3.2 Impacts and accounting policies on application of Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform — Phase 2"

3.2.1 Accounting policies

Financial instruments

Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform

For changes in the basis for determining the contractual cash flows of a financial asset or financial liability to which the amortized cost measurement applies as a result of interest rate benchmark reform, the Group applies the practical expedient to account for these changes by updating the effective interest rate, such change in effective interest rate normally has no significant effect on the carrying amount of the relevant financial asset or financial liability.

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if and only if, both these conditions are met:

- the change is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis (i.e. the basis immediately preceding the change).

3. PRINCIPAL ACCOUNTING POLICIES (continued)

3.2 Impacts and accounting policies on application of Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform — Phase 2" (continued)

3.2.1 Accounting policies (continued)

Financial instruments (continued)

Hedge accounting

For changes made to the hedged risk, hedged item or hedging instrument required by interest rate benchmark reform, the Group amends the formal designation of a hedging relationship to reflect the changes by the end of the reporting period during which the relevant changes were made. Such an amendment to the formal designation of the hedging relationship constitutes neither the discontinuation of the hedging relationship nor the designation of a new hedging relationship.

Cash flows hedges

When a hedged item in a cash flow hedge is amended to reflect the changes that are required by the interest rate benchmark reform, the amount accumulated in the cash flow hedge reserve is deemed to be based on the alternative benchmark rate on which the hedged future cash flows are determined.

3.2.2 Transition and summary of effects

As at June 30, 2021, borrowings amounting to RMB2,915,057,000 and hedging instruments with notional amount of United States dollars ("US$")306,720,000 were subject to the interest rate benchmark reform as they were related to London Interbank Offered Rate ("LIBOR") and/or Euro Interbank Offered Rate ("EURIBOR"). The Group intends to apply the practical expedient in relation to the changes in contractual cash flows resulting from the interest rate benchmark reform for borrowings measured at amortized cost. The amendments have had no impact on the condensed consolidated financial statements as none of the above contracts has been transitioned to the relevant replacement rates during the interim period. The impacts on application of the amendments, if any, including additional disclosures, will be reflected in the Group's consolidated financial statements for the year ending December 31, 2021.

4. REVENUE

(i) Disaggregation of revenue from contracts with customers

The Group derives its revenue from the transfer of goods and services at a point in time and over time in the following major service lines:

	Six months ended June 30,	
	2021	2020
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Type of goods or services		
Services		
— Research services on fee-for-service ("FFS") basis	**3,298,466**	1,831,074
— Research services on full-time-equivalent ("FTE") basis	**89,269**	59,253
— Project management organization ("PMO") services	**8,960**	—
	3,396,695	1,890,327
Sales of goods		
— Sales of goods on commercial manufacturing contracts ("CMO") basis	**888,935**	29,383
— Sales of other biologics products	**121,124**	24,393
	1,010,059	53,776
Total	**4,406,754**	1,944,103

4. REVENUE (continued)

(i) Disaggregation of revenue from contracts with customers (continued)

	Six months ended June 30,	
	2021	2020
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Timing of revenue recognition		
A point in time		
— Research services on FFS basis	**3,282,980**	1,831,074
— Sales of goods on CMO basis	**888,935**	29,383
— Sales of other biologics products	**121,124**	24,393
Over time		
— Research services on FFS basis	**15,486**	—
— Research services on FTE basis	**89,269**	59,253
— PMO services	**8,960**	—
	4,406,754	1,944,103

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 prepared based on the same accounting policies of the Group. Accordingly, the Group has only one single operating and reportable segment and no further analysis of this single segment is presented.

4. REVENUE (continued)

(ii) Entity-wide disclosure

Geographical information

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,	
	2021	2020
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Revenue		
— North America	**2,189,224**	878,201
— PRC	**1,161,009**	815,731
— Europe	**989,933**	122,693
— Rest of the world	**66,588**	127,478
	4,406,754	1,944,103

As at June 30, 2021, the Group's non-current assets located in Ireland, Germany and the United States ("US") are amounted to RMB7,097,975,000, RMB2,445,739,000 and RMB778,484,000 (December 31, 2020: RMB5,835,495,000, RMB962,725,000 and RMB452,971,000) respectively, the remaining non-current assets of the Group are mainly located in the PRC.

5. OTHER INCOME

	Six months ended June 30,	
	2021	2020
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Interest income from banks and other financial assets at amortized cost	**26,289**	29,373
R&D and other grants related to		
— Assets (note i)	**17,760**	4,044
— Income (note ii)	**82,765**	114,442
Others	**459**	570
	127,273	148,429

Notes:

i. The Group has received certain R&D and other grants for supporting the investment in laboratory equipment. The grants were recognized in profit or loss over the useful lives of the relevant assets. Details of the grants are set out in Note 28.

ii. The R&D and other 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,	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net foreign exchange gain	**88,907**	123,050
Gain on derivative financial instruments	**4,176**	—
Fair value gain (loss) on		
— listed equity securities at FVTPL	**153,965**	84,156
— unlisted equity investments at FVTPL	**14,967**	(17,117)
— investment of an associate measured at FVTPL	**13,335**	—
Fair value changes from wealth management products	**30,689**	30,311
Others	**5,494**	5,316
	311,533	225,716

7. FINANCE COSTS

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest expense on financing component of an advance payment received from a customer	**4,884**	—
Interest expense on bank borrowings	**30,043**	32,313
Interest expense on lease liabilities	**13,669**	8,452
Less: amounts capitalized in the cost of qualifying assets	**(27,722)**	(18,360)
	20,874	22,405

During the current interim period, borrowing cost arose on the specific borrowings were capitalized to expenditure on qualifying assets at rates varying from 1.29% to 2.31% (2020: from 1.29% to 3.14%) per annum.

8. PROFIT BEFORE TAX

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

	Six months ended June 30,	
	2021	2020
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Depreciation of property, plant and equipment	**263,462**	169,681
Depreciation of right-of-use assets	**47,334**	28,054
	310,796	197,735
Staff cost (including directors' emoluments):		
— Salaries and other benefits	**1,184,808**	649,301
— Retirement benefit scheme contributions	**90,244**	33,037
— Share-based payment expenses	**222,623**	128,347
	1,497,675	810,685
Impairment losses, net of reversal		
— Trade receivables	**125,414**	50,463
— Contract assets	**412**	1,174
— Receivables for purchase of raw materials on behalf of customers	**7,340**	4,950
	133,166	56,587
Amortization of intangible assets	**21,335**	16,126
Covid-19-related rent concessions	**(177)**	(484)
Write-down of inventories (included in cost of sales and services)	**23,560**	4,812
Write-down of contract costs (included in cost of sales and services)	**16,286**	20,170
Loss on disposal of property, plant and equipment	**766**	894
Cost of inventories recognized as expense	**861,958**	314,655
Less: Capitalized in contract costs and property, plant and equipment	**(492,701)**	(288,779)

9. INCOME TAX EXPENSE (CREDIT)

	Six months ended June 30,	
	2021	2020
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Current tax:		
— PRC Enterprise Income Tax ("EIT")	**317,493**	107,343
— Hong Kong Profits Tax	**35,219**	1,479
— Ireland Income Taxes	**379**	—
— US Federal and State Income Taxes	**39**	—
Over provision in prior years	**(132,639)**	(107,979)
	220,491	843
Deferred tax:		
— Current period	**(45,041)**	(26,441)
	175,450	(25,598)

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%.

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"), WuXi Biologics Conjugation Co., Ltd, Pinghu U-Pure Biosciences Co., Ltd. ("U-Pure") and WuXi Biologics (Beijing) Co., Ltd. ("Beijing Biologics").

According to PRC tax laws, WuXi Co., Shanghai Biologics and U-Pure were accredited as a "High and New Technology Enterprise" and were therefore entitled to a preferential EIT rate of 15% for a period of three years starting from 2019 which is renewable upon expiry in year 2021.

9. INCOME TAX EXPENSE (CREDIT) (continued)

According to PRC tax laws, Suzhou Biologics was accredited as a "High and New Technology Enterprise" and was therefore entitled to a preferential EIT rate of 15% for a period of three years starting from 2018. During the six months ended June 30, 2021, Suzhou Biologics applied for renewal of its "High and New Technology Enterprise" accreditation and the relevant government authority is still in the process to assess the "High and New Technology Enterprise" accreditation. The directors of the Company are of the view that it is very probable that Suzhou Biologics can get the "High and New Technology Enterprise" accreditation by end of 2021 based on Company's assessment and historical practice. Accordingly, the estimated tax rate for Suzhou Biologics for current interim period is 15% (six months ended June 30, 2020: 15%).

According to PRC tax laws, WuXi Biologics Conjugation Co., Ltd. was accredited as a "High and New Technology Enterprise" and was therefore entitled to a preferential EIT rate of 15% for a period of three years starting from 2020 which is renewable upon expiry in year 2022.

Beijing Biologics is eligible for "Micro and Small Enterprise" tax preference for the current interim period.

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 basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	Six months ended June 30,	
	2021	2020
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Earnings attributable to owners of the Company		
Earnings for the purpose of calculating basic and diluted earnings per share	**1,842,140**	736,113

11. EARNINGS PER SHARE (continued)

	Six months ended June 30,	
	2021	2020
	(Unaudited)	(Unaudited)
Number of Shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**4,149,321,757**	3,875,506,623
Effect of dilutive potential ordinary shares:		
Share options	**224,232,937**	247,634,496
Restricted shares	**34,277,112**	22,097,559
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**4,407,831,806**	4,145,238,678

The weighted average number of ordinary shares shown above have been arrived at after deducting the weighted average effect on 49,367,119 shares (June 30, 2020: 43,192,608 shares) held by a trustee under Restricted Share Award Scheme as set out in Note 34 and after adjusting the effect of Share Subdivision as defined in Note 29 for the six months ended June 30, 2020.

The effect of dilutive potential ordinary shares (i.e. share options and restricted shares) shown above and basic and diluted earnings per share were stated after taking into account the effect of the Share Subdivision as defined in Note 29.

Comparative figures have also been restated on the assumption that the Share Subdivision as defined in Note 29 had been effective in prior interim period.

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

During the current interim period, the Group had the following significant movements in property, plant and equipment and right-of-use assets:

i. The Group disposed of certain machinery and equipment with an aggregate carrying amount of RMB1,718,000 for cash proceeds of RMB888,000 resulting a loss on disposal of RMB830,000 (six months ended June 30, 2020: RMB1,048,000, RMB154,000 and RMB894,000 respectively). The Group also disposed the staff living quarters in Shanghai to eligible employees, certain of which are under finance lease agreement.

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

ii. The Group acquired RMB4,739,194,000 (six months ended June 30, 2020: RMB2,976,730,000) of property, plant and equipment for the expansion of production facilities and distribution capacity, out of which property, plant and equipment amounting to RMB382,776,000 and RMB450,705,000 were acquired through the acquisition of CMAB Group and Pfizer Hangzhou, respectively, as set out in Note 32.

iii. The Group entered into several new lease agreements for the use of offices, laboratories and plant from 2 to 20 years (six months ended June 30, 2020: 2 to 20 years). On lease commencement, the Group recognized right-of-use assets of RMB678,391,000 and lease liabilities of RMB674,637,000 (six months ended June 30, 2020: RMB468,264,000 and RMB464,925,000 respectively). In addition, the Group also recognized right-of-use assets of RMB40,552,000 and lease liabilities of RMB14,364,000 (six months ended June 30, 2020: nil and nil) through the acquisition of CMAB Group and Pfizer Hangzhou as set out in Note 32.

13. GOODWILL

	RMB'000
COST AND CARRYING VALUES	
As at January 1, 2021 (Audited)	**185,408**
Arising on acquisition of CMAB Group (Note 32)	**1,148,732**
As at June 30, 2021 (Unaudited)	**1,334,140**

14. INTANGIBLE ASSETS

	As at	
	June 30, 2021	December 31, 2020
	RMB'000 (Unaudited)	RMB'000 (Audited)
Carrying amount:		
Patent and license (note i)	**283,934**	305,252
Technology (note ii)	**72,468**	51,055
Customer relationship (note ii)	**229,096**	35,550
	585,498	391,857

14. INTANGIBLE ASSETS (continued)

Notes:

i. On June 25, 2018, the Group entered into a platform license agreement with Open Monoclonal Technology, Inc. ("OMT"), an independent third party not connected to the Group, under which OMT has granted the Group a non-exclusive, non-transferable, non-sublicensable license to use certain animals, namely, OmniRat, OmniMouse and OmniFlic, for the purpose of researching, developing, and making antibodies, for a cash consideration of US$51 million (equivalent to approximately RMB333,254,000). The Group has estimated the useful life of this license based on management's understanding of the technology and market, and determined the useful life in accordance with the estimation of the vendor, Ligand Pharmaceuticals Incorporated, for period of 18 years from 2018 to 2035. Accordingly, the license payment is amortized over 18 years on a straight-line basis.

ii. Technology and customer relationship were recognized through the acquisitions of subsidiaries in 2019 and 2021. They represent the intellectual property and existing customer relationships which have finite useful life and are amortized on a straight-line basis over their estimated useful lives of 11 to 16 and 5 to 10 years, respectively.

15. INVESTMENT OF AN ASSOCIATE MEASURED AT FVTPL

	As at	
	June 30, 2021	December 31, 2020
	RMB'000 (Unaudited)	RMB'000 (Audited)
Investment of an associate measured at FVTPL	**398,718**	187,520

Details of the Group's associate at the end of the reporting period are as follow:

Name of entity	Country of registration	Principal place of business	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activity
			June 30, 2021	December 31, 2020	**June 30, 2021**	December 31, 2020	
Shanghai Duoning Biotechnology Co., Ltd. ("Duoning")	PRC	PRC	**21.78%**	15.86%	**20%**	20%	Sales of serum-free media and disposable products, formulation production and services

15. INVESTMENT OF AN ASSOCIATE MEASURED AT FVTPL (continued)

In December 2020, the Group entered into an investment agreement together with a series of share transfer agreements, pursuant to which, the Group would increase its shareholding in Duoning from 8.13% to 21.78% for a total consideration of RMB354,526,000. As at December 31, 2020, the Group had increased its shareholding in Duoning to 15.86% with consideration payable amounting to RMB154,526,000 recognized in "trade and other payables". During the current interim period, the aforementioned transaction has been completed and the Group's shareholding in Duoning has been increased to 21.78% with consideration paid in full.

The investment of an associate was made in the form of ordinary shares with preferential rights including redemption right and liquidation preference and measured at financial assets at FVTPL. The Group maintained significant influence in Duoning.

Details of the fair value measurement of the investment of an associate are set out in Note 31.

16. EQUITY INSTRUMENTS AT FVTOCI

During the six months ended June 30, 2021, the Group managed and evaluated the equity instruments at FVTOCI in accordance with the Group's investment strategy. Details of the fair value measurement of the equity instruments at FVTOCI are set out in Note 31.

Movement of equity instruments at FVTOCI are as follows:

	RMB'000
As at January 1, 2021 (audited)	**127,167**
Exchange alignment	**(1,263)**
As at June 30, 2021 (unaudited)	**125,904**

17. FINANCIAL ASSETS AT FVTPL

	As at	
	June 30, 2021	December 31, 2020
	RMB'000 (Unaudited)	RMB'000 (Audited)
Current assets		
Listed equity securities	**—**	112,403
Wealth management products (note)	**735,744**	66
Financial assets at FVTPL	**735,744**	112,469
Non-current assets		
Listed equity securities	**481,934**	385,584
Unlisted investments	**602,145**	373,229
Financial assets at FVTPL	**1,084,079**	758,813

Note: During the current interim period, the Group invested in several contracts of wealth management products with banks under which the original maturity terms are within 12 months. For the wealth management products, returns are 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, they are recognized as financial assets at FVTPL. The expected return rates vary from 0.02% to 3.40% (December 31, 2020: 0.06 % to 1.77 %) per annum.

During the current interim period, the Group managed and evaluated the unlisted investment in accordance with the Group's investment strategy.

Details of the fair value measurement of the financial assets at FVTPL are set out in Note 31.

18. OTHER LONG-TERM DEPOSITS AND PREPAYMENTS

Other long-term deposits represent rental deposits paid for certain lease arrangements of office premises and deposits paid to guarantee certain milestones of construction projects.

Prepayments represent payment to the banks for banking facilities granted to the Group which will be amortized over the facility period.

19. INVENTORIES

	As at	
	June 30, 2021	December 31, 2020
	RMB'000 (Unaudited)	RMB'000 (Audited)
Raw materials and consumables	**1,678,407**	1,060,196
Work in progress	**17,306**	11,621
Finished goods	**11,046**	12,375
Total	**1,706,759**	1,084,192

Raw materials and consumables are net of a write-down of approximately RMB51,592,000 as at June 30, 2021 (December 31, 2020: RMB29,608,000).

20. TRADE AND OTHER RECEIVABLES

	As at	
	June 30, 2021	December 31, 2020
	RMB'000 (Unaudited)	RMB'000 (Audited)
Trade receivables		
— related parties	**6,100**	6,113
Less: allowance for credit losses	**(42)**	(20)
— third parties	**3,143,931**	2,504,003
Less: allowance for credit losses	**(302,179)**	(177,398)
	2,847,810	2,332,698
Bill receivables from contracts with customers	**1,889**	5,160
Receivables for purchase of raw materials on behalf of customers		
— third parties	**469,510**	321,987
Less: allowance for credit losses	**(13,426)**	(6,087)
	456,084	315,900
Advances to suppliers		
— related parties	**17,962**	—
— third parties	**55,943**	35,718
	73,905	35,718
Other receivables (note i)	**253,755**	42,996
Prepayments	**12,089**	6,629
Value added tax recoverable	**976,388**	303,222
Payments for potential acquisition (note ii)	**149,555**	149,555
Loan receivable (note iii)	**—**	50,000
	1,391,787	552,402
Total trade and other receivables	**4,771,475**	3,241,878

Notes:

i. Included in other receivables at June 30, 2021, an amount of RMB201,000,000 is the receivable from bank in relation to the settled derivative financial instruments.

20. TRADE AND OTHER RECEIVABLES (continued)

Notes: (continued)

ii. In October 2020, the Group entered into a letter of intent with an independent vendor pursuant to which the Group conditionally agreed to acquire not less than 75% equity interest of a target company from the vendor. In November 2020, the deposits of RMB149,555,000 was paid to the vendor in accordance with the terms of the letter of intent.

iii. In December 2020, the Group entered into a lending agreement with its associate pursuant to which the Group agreed to lend RMB50,000,000 to its associate. The loan receivable with its associate was unsecured, carried interest rate at 3.85% per annum and was repaid in full during the current interim period.

Details of the trade and other receivables due from related parties are set out in Note 33(ii).

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, 2021	December 31, 2020
	RMB'000 (Unaudited)	RMB'000 (Audited)
Not past due	**1,832,675**	1,517,790
Within 90 days	**414,972**	446,644
91 days to 1 year	**437,624**	286,697
Over 1 year	**162,539**	81,567
	2,847,810	2,332,698

21. CONTRACT ASSETS

	As at	
	June 30, 2021	December 31, 2020
	RMB'000 (Unaudited)	RMB'000 (Audited)
Contract assets	**62,477**	31,854
Less: allowance for credit losses	**(8,195)**	(7,785)
	54,282	24,069

The contract assets are primarily related 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.

22. CONTRACT COSTS

	As at	
	June 30, 2021	December 31, 2020
	RMB'000 (Unaudited)	RMB'000 (Audited)
Costs to fulfil contracts	**673,516**	392,123

The contract costs are net of a write-down of approximately RMB20,135,000 as at June 30, 2021 (December 31, 2020: RMB13,266,000).

23. BANK BALANCES AND CASH/PLEDGED BANK DEPOSITS/TIME DEPOSITS

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 nil to 2.03% per annum as at June 30, 2021 (December 31, 2020: from nil to 2.38% 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.

Time deposits as at June 30, 2021 are carried fixed interests rate from 0.60% to 1.30% per annum and have original maturity over three months (December 31, 2020: from 1.25% to 1.70%).

24. TRADE AND OTHER PAYABLES

	As at	
	June 30, 2021	December 31, 2020
	RMB'000 (Unaudited)	RMB'000 (Audited)
Trade payables		
— related parties	**47,161**	33,212
— third parties	**487,452**	612,790
	534,613	646,002
Other payables		
— related parties	**—**	450
— third parties	**914,541**	655,299
	914,541	655,749
Payable for purchase of property, plant and equipment	**807,566**	717,100
Payable for acquisition of investment of an associate measured at FVTPL	**—**	154,526
Consideration payables for acquisition of subsidiaries	**4,008**	23,018
Salary and bonus payables	**407,150**	500,993
Other taxes payable	**38,748**	31,155
	1,257,472	1,426,792
Trade and other payables	**2,706,626**	2,728,543

Details of the trade and other payables due to related parties are set out in Note 33(ii).

24. TRADE AND OTHER PAYABLES (continued)

Payment terms with suppliers are mainly on credit within 90 days. 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, 2021	December 31, 2020
	RMB'000 (Unaudited)	RMB'000 (Audited)
Within 90 days	**494,783**	620,291
91 days to 1 year	**27,930**	25,031
Over 1 year but within 5 years	**11,900**	680
	534,613	646,002

25. BORROWINGS

	As at	
	June 30, 2021	December 31, 2020
	RMB'000 (Unaudited)	RMB'000 (Audited)
Secured bank loans	**80,500**	85,100
Unsecured bank loans	**3,154,071**	2,519,649
	3,234,571	2,604,749
The carrying amounts of the above borrowings are repayable*:		
Within one year	**1,160,640**	767,126
Within a period of more than one year but not exceeding two years	**1,430,422**	1,770,923
Within a period of more than two years but not exceeding five years	**609,009**	27,600
Within a period of more than five years	**34,500**	39,100
	3,234,571	2,604,749
Less: amounts due within one year shown under current liabilities	**(1,160,640)**	(767,126)
Amounts shown under non-current liabilities	**2,073,931**	1,837,623

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

25. BORROWINGS (continued)

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

	As at	
	June 30, 2021	December 31, 2020
	RMB'000	RMB'000
Fixed-rate borrowings	**95,500**	85,100
Variable-rate borrowings	**3,139,071**	2,519,649
	3,234,571	2,604,749

The Group's variable-rate borrowings carry interest at LIBOR plus 1.1% to 2.5%, European Central Bank Rate plus 1.5% and EURIBOR plus 0.8%. Interest is reset each one to three months based on the contracts.

The ranges of effective interest rates before interest rate swap disclosed in Note 27 (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	As at	
	June 30, 2021	December 31, 2020
Effective interest rate:		
Fixed-rate borrowings	**3.85% to 4.90%**	3.70% to 4.90%
Variable-rate borrowings	**0.80% to 2.69%**	1.25% to 3.68%

At June 30, 2021, the Group's borrowings were secured against the Group's property, plant and equipment as collaterals with carrying amounts of RMB40,940,000 (December 31, 2020: in the process of securing the property, plant and equipment as collaterals with carrying amounts of RMB42,147,000).

26. CONTRACT LIABILITIES

	As at	
	June 30, 2021	December 31, 2020
	RMB'000 (Unaudited)	RMB'000 (Audited)
Contract liabilities	**1,721,755**	1,324,812
Less: amounts shown under current liabilities	**(1,064,450)**	(664,863)
Amounts shown under non-current liabilities (note)	**657,305**	659,949

Note: In February 2020, the Group entered into a contract manufacturing agreement pursuant to which the Group shall build an integrated vaccine manufacturing facility in Ireland, and manufacture for, and supply to, an independent global vaccine leader (the "Vaccine Partner") certain vaccine products. As of December 31, 2020, the Group received total instalments of US$100 million (equivalent to RMB652,490,000) from the Vaccine Partner, which represents the Group's obligation to provide services to the Vaccine Partner and is recognized as contract liabilities. The contract liabilities are classified as non-current due to the related services will be provided beyond twelve months. The non-current contract liabilities amounted to RMB657,305,000 at June 30, 2021 (December 31, 2020: RMB659,949,000) after considering the financing components and the recognition of revenue during the current interim period.

27. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

	Assets		Liabilities	
	June 30, 2021	December 31, 2020	**June 30, 2021**	December 31, 2020
	RMB'000 (Unaudited)	RMB'000 (Audited)	**RMB'000 (Unaudited)**	RMB'000 (Audited)
Derivatives not under hedge accounting				
Cap forward contracts	**4,244**	—	**—**	—
Derivatives under hedge accounting				
Fair value hedges				
— Forward extra and European vanilla option contracts	**98,839**	148,330	**40,221**	25,722
Cash flow hedges				
— Foreign currency forward, collars, cross currency swap and interest rate swap contracts	**201,954**	313,537	**32,826**	7,649
Total	**305,037**	461,867	**73,047**	33,371
Less: current portion	**(289,336)**	(440,997)	**(66,734)**	(26,112)
Non-current portion	**15,701**	20,870	**6,313**	7,259

Derivatives not under hedge accounting

During the current interim period, the Group entered into several HK$/US$ cap forward contracts with banks in order to manage the Group's currency risk. Under the cap contracts, the Group will pay to the bank notional amount of HK$ and receive from the bank an amount in US$ equal to the product of the relevant notional amount of HK$ and the relevant forward rate as specified within the respective contracts.

The Group did not elect to adopt hedge accounting for these contracts and therefore, during the six months ended June 30, 2021, gains from settlement of foreign currency forward contracts of RMB4,176,000 was recognized as "gain (loss) on derivative financial instruments" in other gains and losses.

27. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES (continued)

Derivatives under hedge accounting

In the view of directors of the Company, the respective foreign currency forward contracts, collars contracts, cross currency swap contracts, interest rate swap contracts, forward extra contracts and European vanilla option contracts are highly effective hedging instruments and qualified as cash flow or fair value hedges.

(i) The Group entered into foreign currency forward contracts with banks to eliminate the exposure to fluctuations in foreign currency exchange rate arising from anticipated foreign currency sales transactions, in particular, to buy RMB and sell US$.

The major terms of these foreign currency forward contracts on a net settlement basis as at June 30, 2021 are as follows:

	Average strike/ forward rate	Foreign currency US$'000	Total outstanding notional value RMB'000	Fair value assets RMB'000
Sell US$				
Less than 3 months	6.6312–6.9715	147,000	1,015,567	59,212
4 to 6 months	6.6683–6.9120	247,000	1,673,070	56,240
7 to 12 months	6.5995–6.7465	233,200	1,558,792	23,190

	Average strike/ forward rate	Foreign currency US$'000	Total outstanding notional value RMB'000	Fair value liabilities RMB'000
Sell US$				
Less than 3 months	6.4184–6.4545	171,000	1,100,475	8,107
4 to 6 months	6.4578–6.4928	199,000	1,288,301	9,691
7 to 12 months	6.5175–6.6226	262,000	1,726,041	8,715

27. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES (continued)

Derivatives under hedge accounting (continued)

(ii) The Group entered into collars contracts with a bank to eliminate the exposure to fluctuations in foreign currency exchange rate arising from anticipated foreign currency sales transactions, in particular, to buy RMB and sell US$.

The major terms of these collars contracts as at June 30, 2021 are as follows:

	Strike Rate 1	Strike Rate 2	Foreign currency US$'000	Fair value assets RMB'000
Sell US$				
1 to 6 months	6.9700–7.0000	7.0700–7.1100	99,000	47,611

(iii) The Group entered into two EUR/US$ structured cross currency swap contracts with a bank for interest rate exchange and periodical principal exchange to eliminate the exposure to variable interest rate and exchange rate associated with a variable-rate long-term bank borrowing denominated in US$, for the purpose of financing the Group's construction of manufacturing facilities in Europe. The strike rates of EUR/US$ are 1.185 and 1.190 respectively, and cap rates are 1.285 and 1.230 respectively. The fair value assets of the principle exchange part was RMB1,468,000 and RMB14,233,000 respectively. The major terms of the interest rate swaps are as follows:

Notional amount EUR'000	Notional amount US$'000	Contract date	Maturity date	Receive	Pay	Fair value liabilities RMB'000
92,000	106,720	March 20, 2020	Every three month from March 2020 to September 2022	LIBOR+1.20%	1.10%	1,398
82,988	100,000	March 15, 2021	Every three month from March 2021 to December 2023	LIBOR+1.10%	0.90%	2,289

(iv) The Group uses interest rate swaps to minimize its exposure to interest rate fluctuation on its variable-rate bank borrowings. The major terms of the interest rate swaps are as follows:

Notional amount US$'000	Contract date	Maturity date	Receive	Pay	Fair value liabilities RMB'000
100,000	March 24, 2020	September 26, 2022	LIBOR+1.20%	1.77%	2,626

27. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES (continued)

Derivatives under hedge accounting (continued)

(v) The Group entered into forward extra contracts with a bank to manage its foreign exchange rate risk arising from net exposure which are denominated in currencies at US$ up to 12 months, which is designated as fair value hedge. The major terms of the forward extra contracts are as follows:

	Average strike rate	Knock-in barrier	Notional amount US$'000	Fair value assets RMB'000	Fair value liabilities RMB'000
Sell US$					
2 to 9 months	6.4580–6.5430	6.6505–6.7210	990,000	28,402	27,322

(vi) The Group entered into European vanilla option contracts with a bank to manage its foreign exchange rate risk arising from net exposure which are denominated in currencies at US$ and EUR up to 8 months, which is designated as fair value hedge. The major terms of the European vanilla option contracts are as follows:

	Average strike rate	Spot rate	Notional amount US$'000	Fair value assets RMB'000	Fair value liabilities RMB'000
Sell US$					
7 months	6.4400–6.5380	6.4601	300,000	16,130	410

	Average strike rate	Spot rate	Notional amount EUR'000	Fair value assets RMB'000	Fair value liabilities RMB'000
Sell EUR					
8 months	7.8000–7.8650	7.6862	340,000	54,307	12,489

As at June 30, 2021, the aggregate amount of gains after tax under foreign currency forward contracts, collars contracts, cross currency swap contracts, interest rate swap contracts, forward extra contracts and European vanilla option contracts recognized in other comprehensive income and accumulated in the cash flow and fair value hedging reserve relating to the exposure on anticipated future sales transactions and repayment of borrowings denominated in US$ and EUR is RMB114,162,000 (December 31, 2020: RMB241,720,000 gains). It is anticipated that the sales and bank borrowings repayment will take place within next 30 months (December 31, 2020: 21 months) at which time the amount deferred in equity will be recycled to profit or loss.

During the current interim period, gains relating to the ineffective hedge portion of RMB2,679,000 (six months ended June 30, 2020: RMB13,383,000 losses) is recognized immediately in profit or loss, and is included as "net foreign exchange gain" in other gains and losses.

27. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES (continued)

Derivatives under hedge accounting (continued)

During the current interim period, the aggregated amount of gains previously recognized in other comprehensive income and accumulated in equity of RMB209,456,000 (six months ended June 30, 2020: RMB10,350,000 gains) are reclassified to revenue when the hedged item affects profit or loss.

28. DEFERRED INCOME

	As at	
	June 30, 2021	December 31, 2020
	RMB'000 (Unaudited)	RMB'000 (Audited)
Assets related R&D and other grants	**229,171**	211,949
Income related R&D and other grants	**4,914**	1,791
	234,085	213,740

Movements of R&D and other grants:

	Assets related RMB'000	**Income related RMB'000**	**Total RMB'000**
At January 1, 2020 (audited)	146,524	2,361	148,885
R&D and other grants received	15,240	114,442	129,682
Credited to profit or loss	(4,044)	(114,442)	(118,486)
Exchange alignment	702	—	702
At June 30, 2020 (unaudited)	158,422	2,361	160,783
At January 1, 2021 (audited)	211,949	1,791	213,740
R&D and other grants received	17,344	85,888	103,232
Acquisition of a subsidiary (Note 32(i))	19,630	—	19,630
Credited to profit or loss	(17,760)	(82,765)	(100,525)
Exchange alignment	(1,992)	—	(1,992)
At June 30, 2021 (unaudited)	229,171	4,914	234,085

28. DEFERRED INCOME (continued)

During the six months ended June 30, 2021, the Group received R&D and other grants of RMB17,344,000 (six months ended June 30, 2020: RMB15,240,000) for its investment in laboratory equipment. The grants were recognized in profit or loss over the useful lives of the relevant assets.

29. SHARE CAPITAL

AUTHORIZED:

	Number of shares	Par value US$	Authorized share capital US$
At January 1, 2020	2,000,000,000	0.000025	50,000
Share Subdivision (note iii)	4,000,000,000		—
At June 30, 2021 and December 31, 2020	6,000,000,000	1/120,000	50,000

ISSUED AND FULLY PAID:

	Number of shares	Amount US$	Shown in the financial statements as RMB'000
At January 1, 2020 (audited)	1,294,525,986	32,364	214
Issue of new shares (note i)	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
Issue of new shares (note ii)	45,000,000	1,124	8
Exercise of pre-IPO share options	6,046,044	152	1
Share Subdivision (note iii)	2,721,450,948	—	—
Exercise of pre-IPO share options after the Share Subdivision	2,586,638	22	—
At December 31, 2020 and January 1, 2021 (audited)	4,084,763,060	34,040	225
Issue of new shares (notes iv and v)	128,354,126	1,070	7
Exercise of pre-IPO share options	25,005,956	208	2
At June 30, 2021 (unaudited)	4,238,123,142	35,318	234

29. SHARE CAPITAL (continued)

Notes:

i. 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. Details of the Restricted Share Award Scheme are set out in Note 34.

ii. On July 8, 2020, the Company issued 45,000,000 new ordinary shares of US$0.000025 each through placement to certain independent third parties at a price of HK$137.00 per share. The net cash proceed was HK$6,121,994,000 (equivalent to approximately RMB5,545,791,000), after deducting the issue cost of HK$43,006,000 (equivalent to approximately RMB38,959,000).

iii. Pursuant to a shareholders' resolution passed at an extraordinary general meeting on November 12, 2020, the authorized and issued shares of the Company were subdivided on the basis that every one issued share is subdivided into three subdivided shares (the "Share Subdivision"). The Share Subdivision became effective on November 16, 2020.

iv. On February 10, 2021, the Company issued 118,000,000 new ordinary shares of US$1/120,000 each through placement to certain independent third parties at a price of HK$112.00 per share. The net cash proceed of this placement was HK$13,121,243,000 (equivalent to approximately RMB10,899,029,000), after deducting the issue cost of HK$94,757,000 (equivalent to approximately RMB78,709,000) from the gross cash proceed of HK$13,216,000,000 (equivalent to approximately RMB10,977,738,000).

v. On June 10, 2021, the Company issued and allotted 10,354,126 new ordinary shares at nil consideration to trustee under the Restricted Share Award Scheme. Details of the Restricted Share Award Scheme are set out in Note 34.

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

30. CAPITAL COMMITMENTS

The Group had capital commitments for land, equipment purchase and building construction, acquisition of investment of an associate measured at FVTPL and investments accounted as financial assets at FVTPL under non-cancellable contracts as follows:

	As at	
	June 30, 2021	December 31, 2020
	RMB'000 (Unaudited)	RMB'000 (Audited)
Contracted but not provided for		
— Land, property, plant and equipment	**2,965,880**	3,622,219
— Financial assets at FVTPL	**83,981**	97,874
— Acquisition of investment of an associate measured at FVTPL	**—**	200,000
	3,049,861	3,920,093

31. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value measurements and valuation process

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorized (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are based on quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

31. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique and key inputs
	June 30, 2021	December 31, 2020		
Financial assets at FVTPL	**Listed equity securities: RMB481,934,000**	Listed equity securities: RMB497,987,000	Level 1	Active market quoted transaction price (note i)
	Unlisted equity investments: RMB30,587,000	Unlisted equity investments: RMB267,247,000	Level 2	Recent transaction price (note ii)
	Unlisted equity investments: RMB131,864,000	Unlisted equity investments: RMB75,982,000	Level 3	Backsolve from most recent transaction price and adjusted net asset value method
	Unlisted equity investments: RMB339,694,000	Unlisted equity investments: RMB30,000,000	Level 3	Comparable company method and option pricing model, as applicable
	Unlisted equity investments: RMB100,000,000	N/A	Level 3	Discounted cash flows method and option pricing model
	Wealth management products: RMB735,744,000	Wealth management products: RMB66,000	Level 2	Discounted cash flows method, estimated based on expected return and market foreign exchange rate
Equity instruments at FVTOCI	**Unlisted equity investments: RMB125,904,000**	Unlisted equity investments: RMB127,167,000	Level 3	Comparable company method
Investment of an associate measured at FVTPL	**Investment of an associate measured at FVTPL: RMB398,718,000**	Investment of an associate measured at FVTPL: RMB187,520,000	Level 3 (2020: Level 2)	Discounted cash flows method and option pricing model (2020: Recent transaction price)
Financial liability at FVTPL	**Financial liability at FVTPL: RMB154,682,000**	N/A	Level 2	Recent transaction price
Foreign currency forward contracts, collars contracts, cross currency swap contracts, interest rate swap contracts, forward extra contracts and European vanilla contracts classified as derivative financial assets and liabilities	**Derivative financial assets: RMB305,037,000 Derivative financial liabilities: RMB73,047,000**	Derivative financial assets: RMB461,867,000 Derivative financial liabilities: RMB33,371,000	Level 2	Discounted cash flows. Future cash flows are estimated based on forward exchange rates and contracted forward rates, discounted at a rate that reflects the credit risk of the banks

31. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Notes:

i. Certain equity investments became listed on NASDAQ market in 2020, with the shares traded in an active market. Other equity investments are listed on NASDAQ market or HKEX, with the shares traded in an active market. Therefore, the fair value of these investments as at June 30, 2021 and December 31, 2020 was determined based on the market price and classified as Level 1 of the fair value hierarchy.

ii. The investments were either acquired or re-invested by the Group. The management of the Group assessed that since there was no significant milestone achieved in each of the investments since their respectively acquisitions or reinvestment if applicable, the most recent transaction price is used as the best estimate of the fair value.

Reconciliation of Level 3 fair value measurements of financial assets

	Equity instruments at FVTOCI RMB'000	Financial assets at FVTPL RMB'000	Investment of an associate measured at FVTPL RMB'000
At January 1, 2021 (audited)	127,167	105,982	—
Total gains in profit or loss	—	8,463	13,335
Purchases	—	191,485	200,000
Transfer into Level 3	—	266,357	187,520
Exchange alignment	(1,263)	(729)	(2,137)
At June 30, 2021 (unaudited)	125,904	571,558	398,718

Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis

The management of the Group considers the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the condensed consolidated financial statements approximate their fair value.

The fair values of these financial assets and financial liabilities at amortized cost are determined in accordance with generally accepted pricing models based on discounted cash flow analysis with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

32. ACQUISITION OF SUBSIDIARIES

(i) Acquisition of CMAB Group (as define below)

In March 2021, WuXi Biologics Investments Limited and WuXi Biologics Co., Ltd, the wholly-owned subsidiaries of the Group, entered into a series of agreements with independent third parties not connected to the Group to acquire 100% shares of CMAB Biopharma Limited ("CMAB BVI") and its subsidiaries (together referred to as "CMAB Group") eventually as well as all non-controlling interests (31.9190%) of CMAB Biopharma (Suzhou) Inc. ("CMAB Suzhou"), a subsidiary of CMAB BVI, for a total consideration of RMB1,591,201,000. CMAB Group are primarily engaged in biological contract development and manufacturing organization based in Suzhou, China. CMAB Group were acquired by the Group so as to expand the capacities for liquid and lyophilization within its global manufacturing network.

The acquisition of the entire equity interest in CMAB BVI has been completed on April 29, 2021. Owing to certain pre-conditions for transferring the remaining 9.7960% equity interest in CMAB Suzhou from a non-controlling shareholder were yet to satisfy, the corresponding consideration amounted to RMB154,682,000 was excluded from the total consideration as stipulated above. Accordingly, the consideration for acquisition of 100% shares of CMAB BVI and 22.1230% shares of CMAB Suzhou from non-controlling shareholders, was RMB1,436,519,000. The acquisition has been accounted for as acquisition of business using the acquisition method.

Acquisition-related costs were not material and have been expensed as incurred as part of administrative expenses in the condensed consolidated statement of profit or loss and other comprehensive income.

32. ACQUISITION OF SUBSIDIARIES (continued)

(i) Acquisition of CMAB Group (as define below) (continued)

Assets and liabilities recognized at the date of acquisition

	RMB'000
Property, plant and equipment	382,776
Right-of-use assets	14,416
Intangible assets	227,702
Deferred tax assets	5,918
Other long-term deposits and prepayments	1,413
Inventories	31,366
Trade and other receivables	66,256
Contract assets	13,484
Contract costs	30,895
Bank balances and cash	103,776
Trade and other payables	(73,210)
Borrowings	(301,136)
Contract liabilities	(27,193)
Lease liabilities	(14,364)
Deferred income	(19,630)
	442,469

The fair value of trade and other receivables at the date of acquisition amounted to RMB66,256,000, which is equivalent to the gross contractual amounts. None of the contractual cash flows are not expected to be collected at acquisition date.

Goodwill arising on acquisition

	RMB'000
Consideration transferred	1,436,519
Plus: non-controlling interests	154,682
Less: recognized amounts of net assets acquired	(442,469)
Goodwill arising on acquisition	1,148,732

Goodwill arose on the acquisition of CMAB Group because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies from, including but not limited to, revenue growth, future market development and the assembled workforce of CMAB Group. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

32. ACQUISITION OF SUBSIDIARIES (continued)

(i) Acquisition of CMAB Group (as define below) (continued)

Goodwill arising on acquisition (continued)

None of the goodwill arising on the acquisitions is expected to be deductible for tax purposes.

Net cash outflow arising on acquisition of CMAB Group

	RMB'000
Cash consideration paid	1,436,519
Less: bank balances and cash acquired	(103,776)
	1,332,743

Included in the profit of the Group for the period is a loss of RMB20,218,000 attributable to the post-acquisition results of CMAB Group. Revenue for the period includes RMB33,867,000 generated from CMAB Group.

Had the acquisition been completed on January 1, 2021, revenue for the period of the Group would have been RMB4,444,637,000, and profit for the period of the Group would have been RMB1,835,155,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on January 1, 2021, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had CMAB Group been acquired at the beginning of the current year, the directors of the Company have calculated amortization of intangible assets acquired on the basis of the fair values arising from the initial accounting for the business combination rather than the carrying amounts recognized in the pre-acquisition financial statements.

32. ACQUISITION OF SUBSIDIARIES (continued)

(i) Acquisition of CMAB Group (as define below) (continued)

Financial liability at FVTPL

When the non-controlling shareholder that held 9.7960% equity interest in CMAB Suzhou made capital contribution (the "Onshore Equity Interest") to CMAB Suzhou, CMAB BVI also entered into option agreement with the non-controlling shareholder on November 17, 2017, pursuant to which CMAB BVI granted the non-controlling shareholder a share purchase option to subscribe for 6,794,599 Series A Preferred Shares to be issued by CMAB BVI (subject to anti-dilutive adjustments). The purchase price of the Series A Preferred Shares upon the exercise of the share purchase option (the "Series A Preferred Shares Purchase Price") shall be determined based on the then fair market value of the Onshore Equity Interest determined by a qualified appraiser of recognized standing jointly selected by CMAB BVI and the non-controlling shareholder. The number of the Series A Preferred Shares issuable pursuant to the exercise of the share purchase option shall be subject to (a) any appropriate adjustments for any subsequent share splits, share subdivisions, consolidation or combinations of shares, dividends or distributions of shares or other securities, reclassification, capital reorganization or similar arrangement, as well as merger, consolidation or redemption in accordance with the then applicable Amended and Restated Articles of Association of CMAB BVI; and (b) any change or adjustment of the Onshore Equity Interest held by the non-controlling shareholder pursuant to the investment documents. The Series A Preferred Shares issuable pursuant to the exercise of the share purchase option bear the same rights, preferences and privileges attached to the Series A Preferred Shares of CMAB BVI as set forth in the then applicable amended and Restated Articles of Association of CMAB BVI.

Subject to the approvals that may be required under the applicable laws and any applicable requirements regarding transfer of state-owned assets under PRC laws and regulations, upon receipt of the share purchase option notice by CMAB BVI or the non-controlling interest pursuant to the option agreement (as the case may be), the Hong Kong subsidiary of CMAB BVI ("CMAB HK") shall purchase from the non-controlling shareholder and the non-controlling shareholder shall sell to CMAB HK, all of the Onshore Equity Interest in CMAB Suzhou at the price equal to the Series A Preferred Shares Purchase Price.

CMAB Group recognized the gross obligation from share purchase option written by CMAB BVI as financial liability measured at FVTPL as the put option is over the equity interest of CMAB Suzhou and therefore does not meet the definition of equity.

32. ACQUISITION OF SUBSIDIARIES (continued)

(i) Acquisition of CMAB Group (as define below) (continued)

Financial liability at FVTPL (continued)

The gross financial liability arising from the share purchase option written by CMAB BVI is recognized when contractual obligation to repurchase the equity interest in a subsidiary for preferred shares of CMAB BVI is established even if the obligation is conditional on the counterparty exercising a right to sell back the shares to CMAB Group. The liability for the share purchase option written is initially recognized at fair value of the financial instruments to be issued to exchange for the equity interest in a subsidiary with the corresponding debit to "non-controlling interests". Prior to the exercise of the put option by the non-controlling shareholder for preferred shares of CMAB BVI, the remeasurement of the estimated gross obligation under the put option to the non-controlling shareholder is recognized in the profit or loss.

Upon completion of the acquisition and as of June 30, 2021, the Group recognized RMB154,682,000 of the gross obligation from the share purchase option written by CMAB BVI as financial liability measured at FVTPL by reference to the exit price agreed with the non-controlling shareholder.

(ii) Acquisition of Pfizer Hangzhou (as define below)

In March 2021, WuXi Biologics Investments Limited, the wholly-owned subsidiary of the Group, entered into an agreement with independent third parties not connected to the Group to acquire 100% equity interest in Pfizer Biologics (Hangzhou) Company Limited ("Pfizer Hangzhou"), which holds the state-of-the-art biologics manufacturing facilities in Hangzhou, China, for consideration of US$106,893,000 (equivalent to approximately RMB691,299,000). As the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognizes the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets/financial liabilities at the respective fair values, with remaining balance of the purchase price allocated to other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Pfizer Hangzhou was acquired so as to boost the commercial capacities of the Group to address surging manufacturing demands.

32. ACQUISITION OF SUBSIDIARIES (continued)

(ii) Acquisition of Pfizer Hangzhou (as define below) (continued)

Assets and liabilities recognized at the date of acquisition

	RMB'000
Property, plant and equipment	450,705
Right-of-use assets	26,136
Inventories	8,638
Other receivables	202,742
Bank balances and cash	17,130
Trade and other payables	(14,052)
	691,299

Net cash outflows arising on acquisition of Pfizer Hangzhou

	RMB'000
Cash consideration paid	691,299
Less: bank balances and cash acquired	(17,130)
	674,169

33. RELATED PARTY DISCLOSURES

The Group had the following significant transactions and balances with related parties during the current interim period:

(i) Related party transactions:

(a) Provision of research and development service to related parties

	Six months ended June 30,	
	2021	2020
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
WuXi AppTec (Shanghai) Co., Ltd. ("WXAT Shanghai")	**382**	524
WuXi MedImmune Biopharmaceutical Co., Ltd. ("WX MedImmune")	**380**	4,859
Duoning	**45**	—
Hejing Pharmaceutical Technology (Shanghai) Co., Ltd.	**—**	22
	807	5,405

WX MedImmune is a joint venture held by WuXi AppTec (Hong Kong) Limited ("WAHK"), an indirect wholly-owned subsidiary of WuXi AppTec Co., Ltd. which is ultimately controlled by the Shareholders (as defined in Note 33 (ii)) of the Company.

As disclosed in Note 15, Duoning is an associate of the Group.

Hejing Pharmaceutical Technology (Shanghai) Co., Ltd. is an associate held by WXAT Shanghai, an indirect wholly-owned subsidiary of WuXi AppTec Co., Ltd and was no longer the related party of the Group since May 21, 2020. The transactions for the comparative interim period disclosed above represented the transactions between January 1, 2020 and May 20, 2020. Details of related party relationship change are disclosed in Note 33 (ii).

33. RELATED PARTY DISCLOSURES (continued)

(i) Related party transactions: (continued)

(b) Provision of materials to related parties

	Six months ended June 30,	
	2021	2020
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
WuXi ATU Co., Ltd.	**1,274**	483

(c) Testing services received

	Six months ended June 30,	
	2021	2020
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
WuXi AppTec (Suzhou) Co., Ltd ("AppTec Suzhou")	**6,378**	8,819
WuXi NextCode Genomics (Shanghai) Co., Ltd. ("NextCode Shanghai")	**2,650**	773
WXAT Shanghai	**3,714**	93
WuXi Clinical Development Services (Shanghai) Co., Ltd.	**520**	—
XenoBiotic Laboratories, Inc.	**257**	—
Shanghai MedKey Med-Tech Development Co., Ltd. ("Shanghai Medkey")	**25**	—
Shanghai STA Pharmaceutical R&D Co., Ltd. ("STA RD")	**—**	69
WuXi Diagnostic Medical Testing Institute (Shanghai) Co., Ltd. ("WuXi Diagnostic")	**—**	58
Abgent Biotechnology (Suzhou) Co., Ltd ("Abgent SZ")	**—**	28
	13,544	9,840

The amount of transactions with Shanghai MedKey represented the transactions between Shanghai MedKey and Pfizer Hangzhou since acquisition date.

33. RELATED PARTY DISCLOSURES (continued)

(i) Related party transactions: (continued)

(d) Other services received

	Six months ended June 30,	
	2021	2020
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
WuXi AppTec Korea Co., Ltd.	**410**	442
NextCode Shanghai	**173**	—
WuXi AppTec Sales LLC ("Sales LLC")	**—**	2,347
Chengdu Kangde Renze Real Estate Co., Ltd.	**—**	189
	583	2,978

(e) Purchase of materials, property, plant and equipment

	Six months ended June 30,	
	2021	2020
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Duoning	**40,650**	14,091
ShangHai LiangHei Technology CO., LTD.	**6,138**	—
WXAT Shanghai	**157**	54
Shanghai SynTheAll Pharmaceutical Co., Ltd. ("STA")	**—**	59
STA RD	**—**	4
	46,945	14,208

Shanghai Lianghei Technology CO., LTD. is a subsidiary of Duoning since June 2020.

33. RELATED PARTY DISCLOSURES (continued)

(i) Related party transactions: (continued)

(f) Interest expenses on lease liabilities

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
NextCode Shanghai	**85**	179
WXAT Shanghai	**77**	24
Shanghai Waigaoqiao WuXi AppTec Incubator Management Co., Ltd. ("WXAT Incubator")	**36**	78
	198	281

WXAT Incubator is a joint venture held by WXAT Shanghai, an indirect wholly-owned subsidiary of WuXi AppTec Co., Ltd.

(g) Expenses relating to short-term leases

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Shijiazhuang MingMa Medical Laboratory Co., Ltd.	**—**	57

Shijiazhuang MingMa Medical Laboratory Co., Ltd. was disposed by the Shareholders of the Company since September 2020 and is not a related party of the Company since then.

33. RELATED PARTY DISCLOSURES (continued)

(i) Related party transactions: (continued)

(h) Interest income

	Six months ended June 30,	
	2021	2020
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Duoning	**54**	—

The transactions above were carried out in accordance with the terms agreed with the counterparties.

(ii) Related party balances:

	As at	
	June 30, 2021	December 31, 2020
	RMB'000 Non-interest bearing (Unaudited)	RMB'000 Non-interest bearing (Audited)
Amounts due from related parties		
Trade related		
WX MedImmune	**5,748**	5,346
Less: allowance for credit losses	**(40)**	(20)
WXAT Shanghai	**304**	767
Less: allowance for credit losses	**(2)**	—
Duoning	**48**	—
	6,058	6,093
Advances to suppliers		
AppTec Suzhou	**17,956**	—
WXAT Incubator	**6**	—
	17,962	—
Loan and interest receivables		
Duoning	**—**	50,112

33. RELATED PARTY DISCLOSURES (continued)

(ii) Related party balances: (continued)

	As at	
	June 30, 2021	December 31, 2020
	RMB'000 Non-interest bearing (Unaudited)	RMB'000 Non-interest bearing (Audited)
Amounts due to related parties		
Trade related		
AppTec Suzhou	**20,842**	15,748
Duoning	**19,002**	15,023
WXAT Shanghai	**3,496**	138
Shanghai Lianghei Technology CO., LTD.	**2,346**	1,808
NextCode Shanghai	**575**	364
WuXi Clinical Development Services (Shanghai) Co., Ltd.	**551**	—
XenoBiotic Laboratories, Inc.	**257**	—
STA RD	**61**	92
Shanghai Medkey	**31**	—
WuXi AppTec (Nantong) Co., Ltd.	**—**	39
	47,161	33,212
Non-trade related		
Sales LLC	**—**	450
Lease liabilities		
NextCode Shanghai	**2,095**	4,141
WXAT Shanghai	**2,885**	—
WXAT Incubator	**690**	1,615
	5,670	5,756

During current interim period, the Group entered into a new lease agreement with WXAT Shanghai for three years. The Group has recognized an addition of right-of-use assets and lease liabilities of RMB3,422,000 and RMB3,422,000 respectively.

Except for lease liabilities, all the above balances with related parties are unsecured, interest free and repayable on demand.

33. RELATED PARTY DISCLOSURES (continued)

(ii) Related party balances: (continued)

On May 20, 2020, WuXi Biologics Holdings Limited ("Biologics Holdings"), the immediate and ultimate holding company of the Company, entered into a block trade agreement with a placing agent pursuant to which the placing agent has agreed to place 60,000,000 existing shares of the Company (representing approximately 4.61% of the total issued share capital of the Company as at May 21, 2020) held by Biologics Holdings to parties independent of and not connected with the Company at a price of HK$127.18 each (the "Transaction"). Following completion of the Transaction on May 20, 2020, the shareholding held by Biologics Holdings in the Company decreased from approximately 31.49% to 26.89% of the total issued share capital of the Company and Biologics Holdings ceased to be a controlling shareholder of the Company. Since then, Dr. Li; Dr. Ning Zhao, the spouse of Dr. Li; Mr. Xiaozhong Liu and Mr. Zhaohui Zhang (collectively referred to as "Shareholders"), who were all acting in concert and ultimately controlled Biologics Holdings, ceased to be the controlling shareholders and became the substantial shareholders of the Company.

Except for WX MedImmune, Hejing Pharmaceutical Technology (Shanghai) Co., Ltd., Duoning, WXAT Incubator and Shanghai Lianghei Technology CO., LTD. of which the relationship with the Group have been disclosed separately as above, all of the other related parties mentioned above are considered as related parties of the Group throughout the entire reporting period. These companies were fellow subsidiaries of the Group under common control of the Shareholders of the Company from January 1, 2020 to May 20, 2020. Following completion of the Transaction on May 20, 2020 and up to the end of the reporting period, these companies are ultimately controlled by the Shareholders of the Company. In the opinion of the directors of the Company, the Shareholders have been able to exercise significant influence over the Group.

(iii) Compensation of directors and key management personnel:

	Six months ended June 30,	
	2021	2020
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Directors' fee	**280**	306
Salaries and other benefits	**6,624**	5,093
Performance-based bonus	**2,742**	1,487
Retirement benefits scheme contributions	**78**	26
Share-based compensation	**20,739**	17,428
	30,463	24,340

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

34. SHARE-BASED COMPENSATION

Equity instruments granted by WuXi PharmaTech to employees of the Group

WuXi PharmaTech was once listed on the New York Stock Exchange and used to have an employee stock incentive plan ("WuXi PharmaTech Stock Units and Options"). Pursuant to the WuXi PharmaTech Stock Units and Options, certain directors of the Company and employees of the Group were issued shares of WuXi PharmaTech which are subject to vesting term of one to five years ("WX RSUs"). The share restriction will be released when vested.

WuXi PharmaTech was privatized and delisted from the New York Stock Exchange on December 10, 2015, and was taken control by New WuXi Life Science Holdings Limited ("Life Science Holdings"), a company controlled by the Shareholders. As part of the privatization process, the terms and conditions of WuXi PharmaTech Stock Units and Options were modified.

Under the modified WuXi PharmaTech Stock Units and Options, the total number of the outstanding WX RSUs remained unchanged, but all outstanding WX RSUs as at December 10, 2015 would be settled by cash consideration based on the closing price of WuXi PharmaTech on December 10, 2015 (US$5.75 per share). Part of the cash consideration was paid out immediately to some of the designated employees of the Group ("Designated Employees") holding outstanding WX RSUs as their WX RSUs were deemed to be immediately vested. For remaining employees of the Group ("Non-designated Employees") holding outstanding WX RSUs, an escrow arrangement was made by Life Science Holdings to put aside the cash consideration in an escrow account and the cash consideration would be paid out to the Non-designated Employees when the original vesting conditions of the WX RSUs are met.

Because the fair values of the outstanding WX RSUs under both the original and modified WuXi PharmaTech Stock Units and Options as measured at the date of modification are determined to be the same, therefore, the outstanding WX RSUs would continue to be measured at the original grant-date fair value. For those Designated Employees, because their outstanding WX RSUs were deemed to be immediately vested, the Group recognized the share-based compensation expense related to this acceleration of vesting immediately in the profit and loss of the year ended December 31, 2015. For the Non-designated Employees, the Group continued to recognize the corresponding share-based compensation expense of their outstanding WX RSUs in the profit and loss of the Group over the original vesting periods.

By the end of June 30, 2020, all share-based compensation expense in relation to the outstanding WX RSUs has been recognized in the profit and loss of the Group, hence, no share-based compensation expense in relation to WuXi PharmaTech Stock Units and Options was recognized for the six months ended June 30, 2021 (June 30, 2020: RMB136,000).

34. SHARE-BASED COMPENSATION (continued)

Pre-IPO Share Option Scheme

The Company's Pre-IPO Share Option Scheme was adopted pursuant to resolutions passed on January 5, 2016 for the primary purpose of attracting, retaining and motivating employees and directors. Under the Pre-IPO Share Option Scheme, the directors of the Company may grant up to 144,600,000 (before the effect of the Share Subdivision) share options to eligible employees, including the directors of the Company and its subsidiaries, to subscribe for shares in the Company. Grantee accepting an option grant offered by the Company has to sign an acceptance letter and pay to the Company an amount of HK$1.00 (before the effect of the Share Subdivision) as consideration for the grant.

Upon the Share Subdivision became effective, pro-rata adjustments were made to the exercise prices and the number of share options outstanding, so as to give the eligible employees the same proportion of the equity capital as that they were entitled to before the effect of the Share Subdivision.

Each option granted under the Pre-IPO Share Option Scheme can only be exercised in the following manners (each date on which any portion of option granted shall be vested is hereinafter referred to as a "Vesting Date" and each tranche on which any portion of option granted shall be vested is hereinafter referred to as a "Tranche"):

Tranche	Vesting Date
twenty percent (20%) of the shares subject to an option so granted	second (2nd) anniversary of the offer date for an Option
twenty percent (20%) of the shares subject to an option so granted	third (3rd) anniversary of the offer date for an Option
twenty percent (20%) of the shares subject to an option so granted	fourth (4th) anniversary of the offer date for an Option
forty percent (40%) of the shares subject to an option so granted	fifth (5th) anniversary of the offer date for an Option

34. SHARE-BASED COMPENSATION (continued)

Pre-IPO Share Option Scheme (continued)

Set out below are details of the movements of the outstanding options granted under the Pre-IPO Share Option Scheme during the six months ended June 30, 2021:

Option batch	Outstanding as at January 1, 2021	Granted during the period	Exercised during the period	Forfeited during the period	Outstanding as at June 30, 2021
January 7, 2016	167,037,100	—	20,673,222	—	146,363,878
March 28, 2016	2,254,075	—	250,600	—	2,003,475
August 10, 2016	9,433,200	—	326,210	187,200	8,919,790
November 11, 2016	8,508,500	—	1,077,997	28,800	7,401,703
March 15, 2017	46,300,500	—	2,355,427	297,600	43,647,473
May 12, 2017	6,331,530	—	322,500	—	6,009,030
	239,864,905	—	25,005,956	513,600	214,345,349
Exercisable at the end of the period	89,823,673				176,461,199
Weighted average exercise price (US$)	0.22	—	0.19	0.29	0.22

The estimated fair value of the Pre-IPO share options at the date of grant were approximately US$20,489,000, US$555,000, US$1,773,000, US$2,227,000, US$9,430,000 and US$2,974,000 for the January 7, 2016, March 28, 2016, August 10, 2016, November 11, 2016, March 15, 2017 and May 12, 2017 option batch, respectively. The fair value was calculated using the Binomial model. The major inputs into the model are as follows:

Grant date	January 7, 2016	March 28, 2016	August 10, 2016	November 11, 2016	March 15, 2017	May 12, 2017
Share price (US$) (note)	0.1600	0.1600	0.2167	0.2500	0.3167	0.5500
Exercise price (US$) (note)	0.1667	0.1667	0.2200	0.2633	0.3400	0.6000
Expected volatility	40.80%	40.80%	40.92%	40.87%	40.65%	40.46%
Expected life (years)	10	10	10	10	10	10
Risk-free interest rate	2.92%	2.92%	2.72%	2.83%	3.39%	3.67%
Forfeiture rate	7.70%	7.70%	7.70%	7.70%	7.70%	7.70%

Note: The share price and exercise price represents the prices after the effect of the Share Subdivision effected on November 16, 2020.

34. SHARE-BASED COMPENSATION (continued)

Pre-IPO Share Option Scheme (continued)

The Group recognized total expense of approximately RMB4,615,000 for the six months ended June 30, 2021 (June 30, 2020: RMB12,967,000) in relation to share options granted by the Company under the Pre-IPO Share Option Scheme.

In respect of the share options exercised during the period, the weighted average share price at the dates of exercise was HK$111.46 (June 30, 2020: HK$113.12 before the effect of the Share Subdivision).

Restricted Share Award Scheme

On January 15, 2018, the Company adopted the Restricted Share Award Scheme for the primary purpose of (i) recognize the contributions by certain employees of the Group and directors of the Company (the "Selected Participants"); (ii) encourage, motivate and retain the Selected Participants, whose contributions are beneficial to the continual operation, development and long-term growth of the Group; and (iii) provide additional incentive for the Selected Participants to achieve performance goals, with a view to achieving the objectives of increasing the value of the Group and aligning the interests of the Selected Participants to the shareholders of the Company through ownership of Shares. The total number of the restricted shares underlying all grants made pursuant to the Restricted Share Award Scheme shall not exceed three percent of the issued share capital of the Company as at the adoption date (i.e. 34,953,032 shares before the effect of the Share Subdivision).

The Company will issue and allot to trustee new shares under the general mandate granted by the shareholders of the Company from time to time. The new shares so issued will be held on trust until the end of each vesting period and will be transferred to the Selected Participants upon satisfaction of the relevant original vesting conditions.

34. SHARE-BASED COMPENSATION (continued)

Restricted Share Award Scheme (continued)

The fair value of the restricted shares awarded was determined based on the market value of the Company's shares at the grant date.

Upon the Share Subdivision became effective, pro-rata adjustments have been made to the number of outstanding restricted shares, so as to give the Selected Participants the same proportion of the equity capital as that they were entitled to before the effect of the Share Subdivision.

Except for 14,138 (before the effect of the Share Subdivision) restricted shares granted on June 5, 2019, 11,400 (before the effect of the Share Subdivision) restricted shares granted on June 9, 2020 and 12,335(after the effect of the Share Subdivision) restricted shares granted on June 16, 2021 with vesting period of one year, each other restricted share granted under the Restricted Share Award Scheme can only be vested in the following manners (each date on which any portion of restricted share granted shall be vested is hereinafter referred to as a "Vesting Date" and each tranche on which any portion of restricted share granted shall be vested is hereinafter referred to as a "Batch"):

Batch	Vesting Date
twenty percent (20%) of the restricted shares so granted	second (2nd) anniversary of the grant date for an restricted share
twenty percent (20%) of the restricted shares so granted	third (3rd) anniversary of the grant date for an restricted share
twenty percent (20%) of the restricted shares so granted	fourth (4th) anniversary of the grant date for an restricted share
forty percent (40%) of the restricted shares so granted	fifth (5th) anniversary of the grant date for an restricted share

34. SHARE-BASED COMPENSATION (continued)

Restricted Share Award Scheme (continued)

Set out below are details of the movements of the outstanding restricted shares granted under the Restricted Share Award Scheme during the six months ended June 30, 2021:

Option batch	Outstanding as at January 1, 2021	Granted during the period	Vested during the period	Forfeited during the period	Outstanding as at June 30, 2021	Fair value per share at the date of grant (note)
January 15, 2018	5,066,760	—	1,266,690	605,844	3,194,226	HK$18.333
March 20, 2018	3,554,628	—	883,515	108,291	2,562,822	HK$25.233
June 13, 2018	1,254,174	—	308,613	21,612	923,949	HK$29.500
August 21,2018	2,727,846	—	11,204	69,543	2,647,099	HK$23.500
November 20, 2018	1,941,925	—	—	43,394	1,898,531	HK$21.850
March 19, 2019	137,910	—	27,580	—	110,330	HK$27.783
June 5, 2019	12,546,804	—	2,474,188	207,938	9,864,678	HK$23.900
August 20, 2019	4,212,252	—	—	156,576	4,055,676	HK$27.667
November 20, 2019	1,293,948	—	—	51,129	1,242,819	HK$29.800
March 27, 2020	4,892,280	—	—	169,290	4,722,990	HK$33.333
June 9, 2020	1,864,962	—	34,200	59,688	1,771,074	HK$41.900
August 18, 2020	1,799,517	—	—	59,886	1,739,631	HK$58.600
November 12, 2020	6,359,703	—	—	247,644	6,112,059	HK$77.133
March 24, 2021	—	4,736,220	—	64,765	4,671,455	HK$87.950
June 16, 2021	—	1,493,141	—	—	1,493,141	HK$116.900
June 17, 2021	—	13,128,486	—	31,105	13,097,381	HK$120.800
	47,652,709	19,357,847	5,005,990	1,896,705	60,107,861	
Weighted average fair value per share (HK$)	34.04	112.46	23.22	35.90	60.14	

Note: The fair value per share at the date of grant represents the prices after the effect of the Share Subdivision effected on November 16, 2020.

The Group recognized total expense of approximately RMB218,008,000 for the six months ended June 30, 2021 (June 30, 2020: RMB115,244,000) in relation to restricted shares granted by the Company under the Restricted Share Award Scheme.

34. SHARE-BASED COMPENSATION (continued)

Global Partner Program Share Scheme

On June 16, 2021, the Company adopted a global partner program share scheme (the "Global Partner Program Share Scheme") to further reward and incentivize the Group's top employees and attract key talents (the "Selected Participants under Global Partner Program Share Scheme") to ensure the continuous business development and growth of the Company and to further align the interests of the top employees and the shareholders of the Company. The Selected Participants under Global Partner Program Share Scheme who have significant contributions to the Group's business development and growth will be granted restricted shares under the Global Partner Program Share Scheme. The number of restricted shares to be granted and its value will be determined based on various performance-related considerations, such as the fulfilment by the respective Selected Participants under Global Partner Program Share Scheme of their individual performance targets as well as the overall business performance of the Group as a whole. The total number of the restricted shares underlying all grants made pursuant to the Global Partner Program Share Scheme shall not exceed three percent of the total number of shares of the Company in issue as at the adoption date (i.e. 126,982,689 shares).

During the current interim period, no restricted shares have been granted under the Global Partner Program Share Scheme.

35. EVENT AFTER THE REPORTING PERIOD

On July 20, 2021, Biologics Holdings, one of the substantial shareholders of the Company, entered into a block trade agreement with a placing agent pursuant to which the placing agent has agreed to place 80,000,000 existing shares of the Company (representing approximately 1.89% of the total issued share capital of the Company as at July 20, 2021) held by Biologics Holdings to parties independent of and not connected with the Company at a price of HK$129.00 each.

"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 interim report, 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
"Eligible Participant(s)"	any Director or employee of the Company or any of its subsidiaries
"EU"	a politico-economic union of 27 member states that are located primarily in Europe
"EU EMA"	European Medicines Agency

Definitions

"Global Partner Program Share Scheme"	the share award scheme for global partner program adopted by the Company on June 16, 2021
"GMP"	Good Manufacturing Practice
"Group" or "we" or "our" or "us"	the Company and its subsidiaries
"H.K. dollar(s)" or "HK$"	Hong Kong dollars, 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
"Life Science Holdings"	New WuXi Life Science Holdings Limited, a company incorporated under the laws of the Cayman Islands on July 2, 2015 with limited liability, which holds 100% issued share capital of Life Science Limited
"Life Science Limited"	New WuXi Life Science Limited, a company incorporated under the laws of the Cayman Islands on July 2, 2015 with limited liability, which holds 100% issued share capital of WuXi PharmaTech
"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 of Hong Kong Limited, as amended or supplemented from time to time
"Main Board"	the 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 with effect from January 5, 2016, and amended on August 10, 2016, the principal terms of which are summarised 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

"Remuneration Committee"	the remuneration committee of the Board
"Renminbi" or "RMB"	Renminbi Yuan, the lawful currency of China
"Reporting Period"	the six-month period from January 1, 2021 to June 30, 2021
"Restricted Share Award Scheme"	the restricted share award scheme adopted by the Company on January 15, 2018
"Selected Participant(s)"	any Eligible Participant(s) selected by the Board in accordance with the terms of the Restricted Share Award Scheme or the Global Partner Program Share Scheme
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
"Shareholder(s)"	holder(s) of Shares
"Share(s)"	ordinary share(s) in the capital of the Company with nominal value of US$1/120,000 each
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Trustee"	the trustee corporation or trustee corporations (which is/are independent of and not connected with the Company) to be appointed by the Company for the administration of the Restricted Share Award Scheme or the Global Partner Program Share Scheme or any additional or replacement trustee(s)
"U.S."	United States of America
"U.S. dollar(s)" or "US$" or "USD"	United States dollars, 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
"WuXi AppTec"	Wuxi AppTec Co., Ltd. (無錫藥明康德新藥開發股份有限公司), a company incorporated in the PRC on December 1, 2000 and the shares of which are listed on Shanghai Stock Exchange (Stack code: 603259) and the Main Board of the Stack Exchange (Stack code: 2359)

Definitions

"WuXi PharmaTech"	WuXi PharmaTech (Cayman) Inc., a company incorporated under the laws of the Cayman Islands on March 16, 2007 with limited liability. Its shares were listed on the NYSE (stock code: WX), and were delisted from the NYSE on December 10, 2015
"WuXi Vaccines"	WuXi Vaccines (Cayman) Inc., a company incorporated under the laws of the Cayman Islands and an indirect non-wholly owned subsidiary of the Company

In this interim report, unless otherwise indicated, the terms "associate", "associated corporation", "connected person", "subsidiary" and "substantial shareholder" shall have the meanings given to such terms in the Listing Rules.