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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2269)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2017

FINANCIAL HIGHLIGHTS

- Revenue of the Group for the six months ended June 30, 2017 was approximately RMB654.0 million, representing an increase of 59.5% when compared with that of approximately RMB410.1 million for the six months ended June 30, 2016.

- Gross profit of the Group for the six months ended June 30, 2017 was approximately RMB264.3 million, representing an increase of 41.6% when compared with that of approximately RMB186.6 million for the six months ended June 30, 2016.

- Net profit of the Group for the six months ended June 30, 2017 was approximately RMB92.2 million, representing an increase of 9.9% when compared with that of approximately RMB83.9 million for the six months ended June 30, 2016. Adjusted net profit of the Group for the six months ended June 30, 2017 was approximately RMB152.8 million, representing an increase of 35.8% when compared with that of approximately RMB112.5 million for the six months ended June 30, 2016.

- Adjusted EBITDA of the Group for the six months ended June 30, 2017 was approximately RMB266.1 million, representing an increase of 51.7% when compared with that of approximately RMB175.4 million for the six months ended June 30, 2016.

- Basic and diluted earnings per share for the six months ended June 30, 2017 amounted to RMB0.09. Adjusted diluted earnings per share for the six months ended June 30, 2017 amounted to RMB0.15, representing an increase of 25.0% when compared with that of RMB 0.12 for the six months ended June 30, 2016.

Non-IFRS Measures

To supplement the Group's condensed consolidated financial statements which are presented in accordance with the IFRS, the Company has provided adjusted net profit, adjusted net profit margin, adjusted EBITDA, adjusted EBITDA margin and adjusted diluted earnings per share (excluding the share-based compensation expenses, Listing expenses and foreign exchange gains or losses) as additional financial measures, which are not required by, or presented in accordance with, the IFRS. The Company believes that the adjusted financial measures are useful for understanding and assessing underlying business performance and operating trends, and that the Company's management and investors may benefit from referring to these adjusted financial measures in assessing the Group's financial performance by eliminating the impact of certain unusual and non-recurring items that the Group does not consider indicative of the performance of the Group's business. However, the presentation of these non-IFRS financial measures is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with the IFRS. You should not view the adjusted results on a stand-alone basis or as a substitute for results under the IFRS.

INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2017

The Board of Directors is pleased to announce the unaudited condensed consolidated interim results of the Group for the six months ended June 30, 2017, together with the comparative figures for the corresponding period in 2016 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended June 30, 2017

		Six months ended June 30,	
	NOTES	**2017**	2016
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	4	**654,040**	410,130
Cost of services		**(389,771)**	(223,504)
Gross profit		**264,269**	186,626
Other income	5	**16,076**	5,125
Other gains and losses	6	**(15,921)**	(794)
Selling and marketing expenses		**(13,286)**	(6,642)
Administrative expenses		**(51,132)**	(39,833)
Research and development expenses		**(36,409)**	(30,138)
Other expenses		**(16,143)**	(8,479)
Finance cost	7	**(31,261)**	(8,093)
Profit before tax	8	**116,193**	97,772
Income tax expense	9	**(23,996)**	(13,917)
Profit and total comprehensive income for the period		**92,197**	83,855
		RMB	RMB
Earnings per share- basic and diluted	10	**0.09**	0.09

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2017

		As at	
		June 30,	December 31,
	NOTES	**2017**	2016
		RMB'000	RMB'000
		(Unaudited)	(Audited)
Non-current assets			
Plant and equipment	11	**1,294,028**	1,152,770
Deferred tax assets		**3,199**	2,370
		1,297,227	1,155,140
Current assets			
Inventories	12	**91,592**	78,988
Service work in progress	13	**147,915**	122,702
Trade and other receivables	14	**442,414**	419,376
Income tax recoverable		**—**	6,426
Pledged bank deposits	15	**40,349**	33,262
Cash and cash equivalents	15	**3,619,784**	169,102
		4,342,054	829,856
Current liabilities			
Trade and other payables	16	**525,346**	558,088
Loan from a related party	17	**—**	183,417
Income tax payable		**16,559**	8,949
Bank borrowings	18	**313,158**	39,000
Obligations under a finance lease	19	**10,026**	11,371
		865,089	800,825
Net current assets		**3,476,965**	29,031
Total assets less current liabilities		**4,774,192**	1,184,171

	NOTES	**As at** **June 30, 2017** **RMB'000** **(Unaudited)**	As at December 31, 2016 RMB'000 (Audited)
Non-current liabilities			
Deferred revenue	20	**17,927**	12,559
Bank borrowings	18	**896,000**	866,000
Obligations under a finance lease	19	**25,056**	29,655
Deferred tax liabilities		**5,698**	5,490
		944,681	913,704
Net assets		**3,829,511**	270,467
Capital and Reserves			
Share capital	21	**192**	158
Reserves		**3,829,319**	270,309
Total equity		**3,829,511**	270,467

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended June 30, 2017

	Six months ended June 30,	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
OPERATING ACTIVITIES		
Profit before tax	**116,193**	97,772
Adjustments for:		
Interest expense	**31,261**	8,093
Depreciation of plant and equipment	**58,810**	41,085
Allowance for doubtful debts	**3,993**	6,154
Net foreign exchange loss (gain)	**14,593**	(2,622)
Share-based compensation expense	**30,658**	22,794
Income from government grants and subsidies	**(654)**	(589)
Loss on disposal of plant and equipment	**440**	18
	255,294	172,705
Income tax paid	**(10,581)**	(22,011)
Operating cash flows before movements in working capital	**244,713**	150,694
Increase in inventories and service work in progress	**(37,817)**	(64,488)
Increase in trade and other receivables	**(27,031)**	(64,237)
Increase (decrease) in trade and other payables	**47,482**	(82,004)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	**227,347**	(60,035)
INVESTING ACTIVITIES		
Proceeds on disposal of plant and equipment	**50**	—
Purchase of plant and equipment	**(194,474)**	(154,218)
Government grants and subsidies received	**6,022**	1,489
Withdrawal of pledged bank deposits	**36,109**	6,779
Placement of pledged bank deposits	**(43,196)**	(25,326)
Option fee received	**—**	26,687
NET CASH USED IN INVESTING ACTIVITIES	**(195,489)**	(144,589)

	Six months ended June 30,	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
FINANCING ACTIVITIES		
Proceeds from bank borrowings	**343,158**	700,000
Repayment of bank borrowings	**(39,000)**	—
Interest paid	**(31,950)**	(9,272)
Finance lease charges paid	**(277)**	—
Repayment of obligations under a finance lease to a related party	**(5,944)**	—
Advance from related parties	**55,026**	176,202
Repayment to related parties	**(238,915)**	(455,859)
Repayment to related parties in relation to Reorganization	**(83,325)**	(250,492)
Proceeds from issue of ordinary shares	**3,572,939**	—
Payment of listing related expense	**(135,091)**	—
NET CASH PROVIDED BY FINANCING ACTIVITIES	**3,436,621**	160,579
Effects of exchange rate changes	**(17,797)**	2,622
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**3,450,682**	(41,423)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**169,102**	158,229
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**3,619,784**	116,806

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2017

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 since June 13, 2017. The address of the registered office and the principal place of business of the Company are PO Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands. The Company is an investment holding company. The Group is principally engaged in provision of discovery, development and manufacturing of biologics services.

As at the date hereof, the immediate and ultimate holding company of the Company is WuXi Biologics Holdings Limited ("Biologics Holdings"), a company incorporated in the British Virgin Islands, which is controlled by Dr. Li Ge, Dr. Zhao Ning, the spouse of Dr. Li, Mr. Liu Xiaozhong and Mr. Zhang Zhaohui who are all acting in concert (collectively known as "Controlling Shareholders").

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

2. Basis of Preparation

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

3. Principal Accounting Policies

The condensed consolidated financial statements have been prepared on the historical cost basis.

The accounting policies and methods of computation used in the condensed consolidation financial statements for the six months ended June 30, 2017 are the same as those followed in the preparation of the Group's financial statements for the year ended December 31, 2016 underlying the preparation of financial information included in the Accountants' Report in Appendix I of the prospectus of the Company dated May 31, 2017.

In the Reporting Period, the Group has applied, for the first time, certain amendments to International Financial Reporting Standards ("IFRS") that are mandatorily effective for the Group's financial year beginning on January 1, 2017.

The application of the amendments to IFRS in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

4. Revenue and Segment Information

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

Entity-wide disclosure

Geographical information

Substantially all of the Group's operations and non-current assets are located in the PRC. An analysis of the Group's revenue from external customers, analyzed by their respective country/region of operation, is set out below:

	Six months ended June 30,	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue		
– United States of America	**342,298**	223,946
– PRC	**255,581**	161,943
– Europe	**19,450**	1,090
– Rest of the world	**36,711**	23,151
	654,040	410,130

Information about major customers

Revenue from customers contributing over 10% of the total revenue of the Group during the period under review is as follows:

	Six months ended June 30,	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Customer A	**89,772**	92,035
Customer B	**74,578**	N/A*

* The corresponding revenue did not contribute over 10% of the total revenue of the Group for the period concerned.

5. Other Income

	Six months ended June 30,	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Administrative service income from WuXi AppTec (Shanghai) Co., Ltd. ("WXAT Shanghai")	**—**	81
Interest income	**732**	137
Government grants and subsidies related to		
– Assets (i)	**654**	589
– Income (ii)	**14,690**	4,254
Others	**—**	64
	16,076	5,125

Note:

(i) The Group has received certain government grants and subsidies to invest in laboratory equipment. The grants and subsidies were recognized in profit or loss over the useful lives of the relevant assets. Please refer to note 20 for details.

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

6. Other Gains and Losses

	Six months ended June 30,	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net foreign exchange (loss) gain	**(13,795)**	2,667
Provision of allowance for doubtful debts, net	**(3,993)**	(6,154)
Others	**1,867**	2,693
	(15,921)	(794)

7. Finance Cost

	Six months ended June 30,	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest expense	**31,950**	9,272
Interest on finance lease	**277**	368
Less: amounts capitalized	**(966)**	(1,547)
	31,261	8,093

Borrowing costs capitalized during the six months ended June 30, 2017 arose on bank borrowings and are calculated by applying a capitalization rate of 4.75% (six months ended June 30, 2016: 4.75%).

8. Profit Before Tax

Profit before tax has been arrived at after charging:

	Six months ended June 30,	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Depreciation for plant and equipment	**58,810**	41,085
Staff cost (including directors' emoluments):		
– Salaries and other benefits	**147,755**	97,803
– Retirement benefit scheme contributions	**22,452**	12,871
– Share-based payment expenses	**30,658**	22,794
	200,865	133,468
Minimum operating lease payment in respect of rented premises	**13,186**	5,745
Initial public offering expenses (included in other expenses)	**16,143**	8,479
Loss on disposal of plant and equipment	**440**	18
Allowance for doubtful debts	**3,993**	6,154
Cost of inventories recognized as expense	**129,773**	78,418

9. Income Tax Expense

	Six months ended June 30,	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax:		
– PRC Enterprise Income Tax ("EIT")	**23,410**	16,377
– Hong Kong profits tax	**445**	—
– the US Federal and State Income taxes	**703**	—
– the UK Income taxes	**69**	—
Over provision in prior years		
– EIT	**(10)**	(1,865)
Deferred tax:		
– current year	**(621)**	(595)
	23,996	13,917

Hong Kong profits tax for the Hong Kong subsidiaries is calculated at 16.5% of the estimated assessable profit for the periods presented in the condensed consolidated financial statements.

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 AppTec Biopharmaceuticals Co., Ltd. ("WuXi Biopharma") and WuXi Biologics (Shanghai) Co., Ltd. ("Shanghai Biologics").

WuXi Biopharma was accredited as a "High and New Technology Enterprise" on August 5, 2013. In 2016, WuXi Biopharma renewed its High and New Technology Enterprise status, which has been approved by the relevant government authorities, and it is entitled to a preferential tax rate of 15% for a three-year period commencing from the beginning of 2016.

Shanghai Biologics was accredited as a High and New Technology Enterprise in November 2016 and therefore is entitled to a one year's exemption from EIT followed by three years of 50% tax reduction with effect from the beginning of 2016 in accordance with Guo Fa No. 40. Accordingly, the applicable EIT rate of Shanghai Biologics for the six months ended June 30, 2017 is 12.5% (six months ended June 30, 2016: nil).

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

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

10. Earnings per Share

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

	Six months ended June 30,	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings:		
Earnings for the purpose of calculating basic and diluted earnings per share	**92,197**	83,855

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

	Six months ended June 30,	
	2017	2016
	(Unaudited)	(Unaudited)
Number of Shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**983,636,597**	963,997,111
Effect of dilutive potential ordinary shares:		
Share options	**45,919,209**	—
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**1,029,555,806**	963,997,111

The computation of diluted earnings per share for the six months ended June 30, 2016 does not assume the exercise of pre-IPO share options since their exercise prices plus fair value of services yet to be rendered are higher than the average share prices of the Company.

The computation of diluted earnings per share for the six months ended June 30, 2017 does not assume the exercise of certain pre-IPO share options granted since their exercise prices plus fair value of services yet to be rendered are higher than the average share prices of the Company.

11. Movements in Plant and Equipment

During the six months ended June 30, 2017, the Group acquired RMB200,634,000 (six months ended June 30, 2016: RMB242,762,000) of plant and equipment for the expansion of production facilities and distribution capacity.

The net book value of plant and equipment of RMB1,294,028,000 (December 31, 2016: RMB1,152,770,000) includes an amount of RMB34,833,000 (December 31, 2016: RMB40,827,000) in respect of assets held under a finance lease with a related party (see note 19).

12. Inventories

	As at	
	June 30, 2017	December 31, 2016
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Raw material and consumables	**91,592**	78,988

13. Service Work in Progress

	As at	
	June 30, 2017	December 31, 2016
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Service work in progress	**147,915**	122,702

14. Trade and Other Receivables

	As at	
	June 30, 2017	December 31, 2016
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Trade receivables		
– related parties	**10,197**	7,488
– third parties	**185,000**	216,027
Unbilled revenue		
– related parties	**4,592**	4,130
– third parties	**104,741**	72,819
Allowance for doubtful debts	**(7,633)**	(6,598)
	296,897	293,866
Other receivables		
– related parties	**—**	2,812
– third parties	**6,050**	6,252
	6,050	9,064
Advances to suppliers	**8,826**	4,532
Deferred listing expenses	**—**	4,705
Prepayments	**1,164**	972
Receivables for purchase of raw materials on behalf of customers	**45,269**	39,084
Customer duty recoverable (Note)	**57,734**	36,209
Value added tax recoverable	**26,474**	30,944
	139,467	116,446
Total trade and other receivables	**442,414**	419,376

Details of the trade and other receivables due from related parties are set out in note 24(2).

Note: WuXi Biopharma has been recognized by the relevant government authority as a foreign-invested research and development center, which makes it eligible for a waiver of import tax on imported raw materials and equipment. The related import tax has been levied by way of "paid and refund" basis. The amount represents the related import tax paid by Wuxi Biopharma to PRC Customs which shall be refunded upon the application documents of the import tax refund have been validated by the PRC Customs.

The Group allows a credit period ranging from 30 to 60 days to its customers. The following is an age analysis of trade receivables (net of allowance for doubtful debts) presented based on the invoice dates (excluding the unbilled revenue), at the end of the Reporting Period:

	As at	
	June 30, 2017	December 31, 2016
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Within 60 days	**175,187**	185,992
61 to 180 days	**9,544**	25,318
181 days to 1 year	**2,833**	5,607
	187,564	216,917

Included in the Group's trade receivables are balances with aggregate carrying amount of RMB12,377,000 (December 31, 2016: RMB30,925,000) which are past due at the end of the Reporting Period.

In determining the recoverability of the trade receivables, the Group considers any change in the credit quality of the trade receivables from the date on which the credit was initially granted and up to the reporting date. The credit quality of the trade receivables that are neither past due nor impaired had not changed during the Reporting Period.

15. Cash and Cash Equivalents/Pledged Bank Deposits

Cash and cash equivalents of the Group comprised of cash and short term bank deposits with an original maturity of three months or less. The short-term bank deposits carried interest at market rates which ranged from 0.001% to 4.56% per annum as at June 30, 2017 (December 31, 2016: from 0.01% to 2.90% per annum). The deposits were pledged to a bank as collateral for the issue of letter of credit by the bank in connection with the purchase of raw materials, plant and equipment by the Group.

16. Trade and Other Payables

	As at June 30, 2017 RMB'000 (Unaudited)	As at December 31, 2016 RMB'000 (Audited)
Trade payables		
– related parties	**7,683**	30,576
– third parties	**77,856**	74,453
	85,539	105,029
Other payables		
– related parties	**—**	2,684
– third parties	**27,512**	18,515
	27,512	21,199
Advances from customers		
– related parties	**3,534**	5,652
– third parties	**187,795**	126,780
	191,329	132,432
Payable to a related party in relation to the Reorganization (Note i)	**—**	84,317
Option fee received (Note ii)	**27,098**	27,780
Payable to shareholders in relation to sale of shares of the Company (Note iii)	**11,884**	—
Payable for purchase of plant and equipment	**108,536**	103,342
Payable in relation to listing of shares of the Company	**32,903**	25,782
Salary and bonus payables	**37,600**	56,343
Other taxes payable	**2,945**	1,864
	525,346	558,088

Note:

(i) Amount represents consideration payable to a related party for the purchase of the equities of the subsidiaries of the Group. The consideration is interest free and repayable on demand. The related party and the Group are under common control of the Controlling Shareholders. The consideration had been repaid in full on May 31, 2017.

(ii) Amount represents a US$4 million non-refundable option fee received from an independent third party for granting the party an option to purchase certain of the Group's assets. In December 2015, an agreement (hereafter referred to as the "Option to Purchase Agreement") was entered into between the Company and a Company's strategic customer, pursuant to which the Company granted the customer an option to acquire certain of its biologics manufacturing facilities. The total consideration for the option was US$8 million, 50% of which had been paid in March 2016 and the remaining 50% would be payable upon the Company completing certain required documentations. Pursuant to the Option to Purchase Agreement, the customer has a right to exercise the purchase option on or before June 30, 2020, which upon mutual agreement between the Company and the customer, may be extended until no later than June 30, 2023. Should the customer choose to exercise the purchase option, it has to pay the Company an acquisition price for the biologics manufacturing facilities determined on the basis as specified in the Option to Purchase Agreement; and the Company has to fulfill certain stipulated conditions including completing the transfer of the title of the biologics manufacturing facilities to the customer or its designated person, and obtaining all necessary regulatory approvals and consents in relation to the transfer of the facilities. The option fee would then be applied for part payment for the manufacturing facilities acquisition price. Should the customer choose to terminate the agreement without exercising the purchase option, the customer could apply the option fee to pay for any service fees due and payable to the Group for services rendered by the Group, up to a maximum of 50% of the option fee paid.

(iii) Amount represents the proceeds received on behalf of certain founding shareholders in relation to the sale of shares of the Company by them through the initial public offering of the shares of the Company on June 13, 2017. The amount has been repaid subsequently in full in July 2017.

Details of the trade and other payables due to related parties are set out in note 24(2).

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

	As at	
	June 30, 2017	December 31, 2016
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Within three months	**82,217**	102,123
Over three months but within one year	**2,800**	2,906
Over one year but within two years	**522**	—
	85,539	105,029

17. Loan from a Related Party

	As at	
	June 30, 2017 RMB'000 (Unaudited)	December 31, 2016 RMB'000 (Audited)
Loan from WuXi PharmaTech	**—**	183,417

The loan from WuXi PharmaTech is unsecured, interest free and repayable on demand for the year ended December 31, 2016. The loan was repaid in full on May 31, 2017.

18. Bank Borrowings

	As at	
	June 30, 2017 RMB'000 (Unaudited)	December 31, 2016 RMB'000 (Audited)
Unsecured bank loans	**1,209,158**	905,000

Carrying amount repayable*:

	As at	
	June 30, 2017 RMB'000 (Unaudited)	December 31, 2016 RMB'000 (Audited)
Within one year	**313,158**	39,000
Within a period of more than one year but not exceed two years	**326,000**	141,000
Within a period of more than two years but not exceed five years	**570,000**	725,000
	1,209,158	905,000
Less: Amounts due within one year shown under current liabilities	**313,158**	39,000
	896,000	866,000

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

The bank borrowings carried interest rate at 2.21% to 4.75% per annum (December 31, 2016: 4.75%).

Bank borrowings of RMB948,000,000 was repaid by the Group on July 31, 2017.

19. Obligations under a Finance Lease

	As at June 30, 2017 RMB'000 (Unaudited)	As at December 31, 2016 RMB'000 (Audited)
Analyzed for reporting purposes as:		
Current liabilities	**10,026**	11,371
Non-current liabilities	**25,056**	29,655
	35,082	41,026

The Group leases from WXAT Shanghai certain of its machinery, equipment and leasehold improvement on January 1, 2016 under a finance lease with lease term of four years, which is renewable indefinitely at the discretion of the Group. Interest imputed in the finance lease at the respective lease inception date is at the rate of 1.44% per annum.

	Minimum Lease Payments As at June 30, 2017 RMB'000	Minimum Lease Payments As at December 31, 2016 RMB'000	Present Value of Minimum Lease Payments As at June 30, 2017 RMB'000	Present Value of Minimum Lease Payments As at December 31, 2016 RMB'000
Obligations under a finance lease payable:				
Within one year	**10,461**	11,883	**10,026**	11,371
Within a period of more than one year but no more than two years	**9,337**	9,538	**9,036**	9,172
Within a period of more than two years but no more than five years	**13,672**	17,372	**13,357**	16,945
Within a period of more than five years	**2,702**	3,600	**2,663**	3,538
	36,172	42,393	**35,082**	41,026
Less: future finance charges	**1,090**	1,367	**N/A**	N/A
Present value of lease obligations	**35,082**	41,026	**35,082**	41,026
Less: amounts due for settlement within twelve months (shown under current liabilities)			**10,026**	11,371
Amounts due for settlement after twelve months (shown under non-current liabilities)			**25,056**	29,655

20. Deferred Revenue

	As at	
	June 30, 2017	December 31, 2016
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Assets related government grants	**17,927**	12,559

Movements of assets related government grants:

	RMB'000
At January 1, 2016 (audited)	8,787
Government grants received	1,489
Credited to profit or loss	(589)
At June 30, 2016 (unaudited)	9,687
At January 1, 2017 (audited)	**12,559**
Government grants received	**6,022**
Credited to profit or loss	**(654)**
At June 30, 2017 (unaudited)	**17,927**

During the six months ended June 30, 2017, the Group received government grants of RMB6,022,000 (six months ended June 30, 2016: RMB1,489,000) for its investment in laboratory equipment. The grants were recognized in profit or loss over the useful lives of the relevant assets.

21. Share Capital

	Number of shares	**Amount**
		US$
ORDINARY SHARES OF US$0.000025 EACH		
AUTHORIZED:		
At June 30, 2017, December 31, 2016 and January 1, 2016	2,000,000,000	50,000

ISSUED AND FULLY PAID:

	Number of shares	Amount US$	Shown in the financial statements as RMB'000
At January 1, 2016 (Audited),	40,000	1	—
Increase in issued share capital (note (a))	963,960,000	24,099	158
At June 30, 2016 (Unaudited) and December 31, 2016 (Audited)	964,000,000	24,100	158
Issue of shares by initial public offerings (note (b))	170,118,057	4,253	29
Issue of shares by exercise of over-allotment option (note (c))	28,947,000	724	5
At June 30, 2017 (Unaudited)	1,163,065,057	29,077	192

Notes:

(a) On January 12, 2016, an aggregate of 963,960,000 shares of the Company were issued at a par value of US$0.000025, equivalent to approximately RMB158,000.

(b) On June 13, 2017, the Company issued a total of 170,118,057 new ordinary shares of US$0.000025 each at the price of HK$20.60 per share by means of initial public offering.

(c) On June 14, 2017, the Company issued a total of 28,947,000 new ordinary shares of US$0.000025 each at the price of HK$20.60 per share by means of fully exercise of over-allotment option.

(d) All the shares issued by the Company ranked *pari passu* in all respects.

22. Operating Lease

The Group as leasee

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

	As at	
	June 30, 2017 RMB'000 (Unaudited)	December 31, 2016 RMB'000 (Audited)
Within one year	**27,209**	22,121
In the second to fifth years inclusive	**83,039**	84,040
Over five years	**73,518**	86,533
	183,766	192,694

Operating lease payments represent rentals payable by the Group for certain of its office premises, factories and laboratories. Leases are for a term of 8 to 10 years and rentals are fixed for a range of 8 to 10 years.

23. Capital Commitments

The Group had capital commitments for equipment purchase and building construction under non-cancellable contracts as follows:

	As at	
	June 30, 2017	December 31, 2016
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Contracted but not provided for	**434,583**	501,178

24. Related Party Transactions

In addition to the transactions and balances disclosed in notes 14, 16, 17 and 19, the Group had the following significant transactions with related parties during the six months ended June 30, 2017:

(1) Related party transactions:

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

	Six months ended June 30,	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
WuXi MedImmune Biopharmaceutical Co., Ltd. ("WX MedImmune")	**9,589**	—
Adagene (Suzhou) Limited ("Adagene")	**6,144**	645
Huahui Anjian (Beijing) Biologics Technology Co., Ltd ("Huahui Anjian")	**2,836**	1,030
	18,569	1,675

Note: WX MedImmune is a joint venture held by WuXi AppTec (Hong Kong) Limited ("WAHK"), an indirect wholly-owned subsidiary of WuXi PharmaTech.

Adagene and Huahui Anjian are associates of WXAT Shanghai.

(b) Provision of administrative service to a related party

	Six months ended June 30,	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
WXAT Shanghai	**—**	81

(c) Provision of premises sub-leasing services

	Six months ended June 30,	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Abgent Biotechnology (Suzhou) Co, Ltd	**227**	227
WuXi AppTec (Suzhou) Co., Ltd. ("AppTec Suzhou")	**210**	210
	437	437

(d) Testing services received

	Six months ended June 30,	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
WuXi AppTec, Inc.	**10,910**	6,477
AppTec Suzhou	**8**	165
	10,918	6,642

(e) Purchase of materials, plant and equipment

	Six months ended June 30,	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
WuXi AppTec Sales LLC ("AppTec Sales")	**685**	—
WXAT Shanghai	**20,264**	29,410
	20,949	29,410

(f) Interest expense

	Six months ended June 30,	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
WXAT Shanghai	**—**	3,153

(g) General services received

	Six months ended June 30,	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
WXAT Shanghai	**—**	10,352

(h) Labor secondment services received

	Six months ended June 30,	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
WXAT Shanghai	**711**	5,460
AppTec Sales	**—**	5,599
WuXi AppTec UK Ltd	**611**	—
	1,322	11,059

(i) Research and development services received

	Six months ended June 30,	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
WXAT Shanghai	**304**	2,014

(j) Premises leasing services received

	Six months ended June 30,	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
WXAT Shanghai	**715**	794

(k) Finance lease from a related party

On January 1, 2016, the Group entered into a finance lease arrangement with WXAT Shanghai in respect of machinery, equipment and leasehold improvement with a total capital value at the inception of the leases of RMB53,781,000. The finance lease charges under the arrangements is RMB277,000 for the six months ended June 30, 2017. The obligations under a finance lease are disclosed in note 19.

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

(2) Related party balances:

	As at	
	June 30, 2017	December 31, 2016
	RMB'000	RMB'000
	Non-interest bearing	Non-interest bearing
	(Unaudited)	(Audited)
Amounts due from related parties		
Trade related		
WX Medlmmune	**4,894**	195
Adagene	**5,303**	3,492
Huahui Anjian	**4,592**	4,130
WAHK	**—**	3,211
WuXi PharmaTech	**—**	590
	14,789	11,618
Non-trade related		
WX MedImmune	**—**	2,812

	As at	
	June 30, 2017	December 31, 2016
	RMB'000	RMB'000
	Non-interest bearing	Non-interest bearing
	(Unaudited)	(Audited)
Amounts due to related parties		
<u>Trade related</u>		
WXAT Shanghai	**4,866**	24,752
WuXi AppTec, Inc.	**2,772**	5,824
AppTec Sales	**46**	—
WX MedImmune	**—**	2,669
Adagene	**218**	555
Huahui Anjian	**3,287**	2,400
JW Therapeutics (Shanghai) Co., Ltd ("JW Therapeutics")	**28**	28
	11,217	36,228

Note: JW Therapeutics is a joint venture held by WAHK.

<u>Non-trade related</u>		
WXAT Shanghai	**—**	2,113
WuXi AppTec (BVI) Inc.	**—**	21
WuXi AppTec, Inc.	**—**	16
AppTec Sales	**—**	81
WuXi Apptec UK Ltd	**—**	453
	—	2,684

All the above balances with related parties are unsecured, interest free and repayable on demand.

Except for WX MedImmune, Adagene, Huahui Anjian, JW Therapeutics, WuXi PharmaTech, whose relationship with the Group have been disclosed previously in other notes, all of the other abovementioned related parties are considered to be related to the Group because (i) from January 1, 2016 to January 12, 2016, they were fellow subsidiaries of the Group under the common control of WuXi PharmaTech and (ii) after transfer of the Company's shares to Biologics Holdings on January 12, 2016, they are considered to be fellow subsidiaries of the Group under the common control of the Controlling Shareholders.

(3) Compensation of directors and key management personnel

	Six months ended June 30,	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Salaries and other benefits	**4,267**	3,714
Performance-based bonus	**762**	1,428
Retirement benefits scheme contributions	**115**	119
Share-based compensation	**14,478**	12,240
	19,622	17,501

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

25. 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 restricted in that these shares 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") which is a company controlled by the Controlling 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 a 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 ("Designated Employees") of the Group holding outstanding WX RSUs as their WX RSUs were deemed to be immediately vested. For the other 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 the 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.

For the six months ended June 30, 2017, the Group recognized RMB3,715,000 (June 30, 2016: RMB4,867,000) of share-based compensation expense in relation to WuXi PharmaTech Stock Units and Options.

Pre-IPO Share Option Scheme

The Company's Pre-IPO Share Option Scheme was adopted pursuant to resolutions passed by the then shareholders of the Company 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 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 as consideration for the grant.

(1) As of June 30, 2017, pre-IPO share options granted to the employees of the Group and directors of the Company are as follows:

Date of grant	Number of options	Exercise price per share
January 7, 2016	89,364,668	US$0.5
March 28, 2016	2,412,750	US$0.5
August 10, 2016	5,729,313	US$0.66
November 11, 2016	6,321,000	US$0.79
March 15, 2017	20,970,000	US$1.02
May 12, 2017	3,804,000	US$1.80

(2) 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

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, 2017:

Option batch	Outstanding as at December 31, 2016	Granted during the period	Exercised during the period	Forfeited during the period	**Outstanding as at June 30, 2017**
January 7, 2016	83,509,994	—	—	1,803,312	**81,706,682**
March 28, 2016	2,412,750	—	—	278,000	**2,134,750**
August 10, 2016	5,709,313	—	—	99,000	**5,610,313**
November 11, 2016	6,045,000	—	—	273,000	**5,772,000**
March 15, 2017	—	20,970,000	—	566,000	**20,404,000**
May 12, 2017	—	3,804,000	—	28,000	**3,776,000**
	97,677,057	24,774,000	—	3,047,312	**119,403,745**
Exercisable at the end of the period	—				**—**
Weighted average exercise price (US$)	0.53	1.14	N/A	0.64	**0.65**

The estimated fair value of the Pre-IPO share options granted were approximately USD20,489,000, USD555,000, USD1,773,000, USD2,227,000, USD9,430,000 and USD2,974,000 respectively for the January 7, 2016, March 28, 2016, August 10, 2016, November 11, 2016, March 15, 2017 and May 12, 2017 grants. 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$)	0.48	0.48	0.65	0.75	**0.95**	**1.65**
Exercise price (US$)	0.5	0.5	0.66	0.79	**1.02**	**1.80**
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	7.7%	7.7%	7.7%	7.7%	**7.7%**	**7.7%**

Share price is determined as the total fair value of the Company's equity divided by the total number of shares, assuming the allotment of shares as disclosed in note 21(a) has been effective on January 1, 2016. To determine the fair value of the Company's equity value as of March 15, 2017 and May 12, 2017, the Company used primarily the discounted cash flow method under the income approach, using cash flow projections based on financial forecasts approved by management covering a five-year period and a discount rate of 13%. Cash flow beyond that five-year period has been extrapolated using a steady 5% growth rate. This growth rate does not exceed the long-term average growth rate for the market in which the Group operates. The result from the income approach was cross checked with the market approach, which incorporates certain assumptions, including the market performance of comparable listed companies, as well as the financial results and growth trends of the Company, to derive the total equity of the Group.

Expected volatility was determined by using the historical volatility of the comparable companies. Changes in variables and assumptions may result in changes in the fair values of the share options.

The Group recognized total expense of approximately RMB26,943,000 for the six months ended June 30, 2017 (June 30, 2016: RMB17,927,000) in relation to share options granted by the Company under the Pre-IPO Share Option Scheme.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Review

In the first half of 2017, the global biologics outsourcing services market has continued to grow together with the overall biologics market. There is an increasing industry trend for large pharmaceutical companies to turn to outsourcing services providers to compensate for the constraint on internal capabilities and capacity, to establish a more comprehensive supply chain, as well as to gain entry to emerging markets like China. For small-to-medium-sized biotechnology companies, partnering with biologics outsourcing services providers is critical to their business model to allow them to focus scarce resources on their core strengths and enable them to expedite their development process.

Biologics are revolutionizing the treatment of diseases in many major therapeutic areas globally, primarily benefiting from groundbreaking progress in genetics, molecular biology and biochemistry over the past three decades. In 2016, eight out of top ten globally best-selling drugs were biologics. These eight biologics generated approximately US$66.6 billion in sales in aggregate and consisted of five monoclonal antibodies ("**mAbs**"), two recombinant proteins and one vaccine.

Driven by the increasing healthcare expenditures, enhanced research and development capabilities, favorable government policies and increased capital investment, China's biologics market has experienced rapid growth during the Reporting Period. In the "13th Five-Year" Plan, the biologics industry was also explicitly positioned as a national strategic industry. Recently, the Ministry of Human Resources and Social Security of the PRC (中華人民共和國人力資源和社會保障部) ("**MOHRSS**") confirmed the admission of 36 negotiated drugs to be covered by its medical insurance reimbursement schemes, including eight biologics. From an overall perspective, industrial breakthroughs of biologics in the PRC are emerging under the driving force of national policies, and production of more innovative drugs and biosimilars are expected to address the pharmaceutical needs of patients in China in the near future.

Business Review

During the Reporting Period, the Group had continued to adopt its "follow-the-molecule" strategy and achieved a strong revenue growth. As at June 30, 2017, the Group had a total of 134 integrated projects, which require the Group to provide services across different stages of the biologics development process, representing an increase of 78.7% as compared to 75 projects as at June 30, 2016. Through such projects, the Group has established a reputation among its customers for high quality and productivity, rapid turnaround and comprehensive customer support.

The following table sets forth the status of the on-going integrated projects of the Group as at June 30, 2017:

Biologics development process stage	Number of on-going integrated projects[(1)]	Typical duration	Typical revenue
Pre-IND			
– Drug discovery	—	2 years	US$1.5-2.5 mm
– Pre-clinical development	92	2 years	US$4-6 mm
Post-IND			
– Early-phase (phases I & II) clinical development	35	3 years	US$4-6 mm
– Late-phase (phase III) clinical development	6	3-5 years	US$20-50 mm
– Commercial manufacturing	1	Annually	US$50-100 mm[(2)]
Total	134		

Notes:

(1) Integrated projects are projects that require the Group to provide services across different stages of the biologics development process.

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

The diverse and growing customer base of the Group includes leading global pharmaceutical companies as well as virtual, start-up companies and small-to-medium-sized biotechnology companies. As at June 30, 2017, the Group had worked with 12 out of the 20 largest pharmaceutical companies in the world as measured by their respective pharmaceutical sales in 2016. The Group provided services to 151 customers in the six months ended June 30, 2017 and its backlog increased rapidly by 564.7% from approximately US$68 million as at June 30, 2016 to approximately US$452 million as at June 30, 2017, which represents the total amount of service fee (excluding royalty fees) for services that the Group has contracted to perform but have not performed yet.

The Group's Facilities

The Group currently has three operation sites located in Wuxi, Shanghai and Suzhou, respectively, which are conveniently located within driving distance from each other.

Wuxi Site

The Wuxi site houses part of the Group's clinical manufacturing facilities, providing services such as assay, formulation and process development, assay and process validation, protein, mAb and cGMP drug substance manufacturing, lot release testing, stability studies, drug product formulation, fill and finish, and regulatory support services.

The Group is also building new disposable bioreactor-based biologics commercial manufacturing facilities with 14 2,000L-capacity fed-batch and two 1,000L-capacity perfusion disposable bioreactors at the Wuxi site. For the Reporting Period, the Group had completed the construction of part of the new facilities at the Wuxi site, which are currently under pilot operation. It is expected that the new facilities in Wuxi will commence operation in the fourth quarter of 2017.

Shanghai Site

The Shanghai site houses the drug discovery and pre-clinical development facilities and part of cGMP clinical manufacturing facilities, providing services such as novel mAb discovery, bispecific antibody engineering, antibody drug conjugates ("**ADC**") discovery, cell line engineering and development, assay, formulation and process development, assay and process validation, product analytical characterization, and cGMP cell banking.

Based on the current status of ongoing integrated projects, it is estimated that the current clinical manufacturing capacity may not be able to satisfy those projects' demand in the near future. As a result, the Group is increasing the clinical manufacturing capacity by adding mammalian DS clinical manufacturing facilities with a planned capacity of 7,000L at the Shanghai site. The Group started construction in February 2017, and such new facilities are expected to commence operation in the second quarter of 2018.

Suzhou Site

The Suzhou site houses the biosafety testing facilities, providing services such as viral clearance studies and cell line characterization. The state-of-the-art biosafety testing facilities are under expansion at the Suzhou site and such facilities can support substantially all biosafety testing requirements for biologics manufacturing.

During the Reporting Period, through enhanced technological capabilities and improved efficiency in internal operations at the Suzhou site, the completion time of the Suzhou projects was significantly reduced which further enhanced the value of the integrated services that the Group offers.

Research and Development

During the Reporting Period, the Group had continuously focused on (i) developing next generation technologies to continue to enhance integrated services, in particular next generation mAb discovery platform, next generation cell line platform, novel ADC linker and payload and continuous biologics manufacturing technologies; and (ii) improving the quality and efficiency of the services and costs control. Through research and development activities, the Group generates proprietary technologies, which enable the Group to receive milestone and royalty fees from customers who require to utilize such technologies.

For the Reporting Period, the research and development expenditure was approximately RMB36.4 million, which accounted for 5.6% of the revenue. The Company will keep increasing its investment of research and development which will reduce clinical and commercial manufacturing costs as well as the cost of and the time required for building a new manufacturing facility.

Sales and Marketing

The Group markets its services directly to pharmaceutical and biotechnology companies through regular meetings with their representatives and senior management. In addition, the Group's sales actively participate in trade conferences, trade shows and scientific conferences.

The Group aims to broaden its customer base by targeting pharmaceutical and biotechnology companies that recognize the efficiency and cost-effectiveness of outsourcing their discovery, development and commercial manufacturing to the Group. The Group also targets customers that lack in-house research and development capabilities and view outsourcing as an attractive option to achieve their objectives.

For the Reporting Period, the Group has around 20 sales and marketing specialists, 60% of the members of the sales and marketing team have attained a master's or higher degree in biologics-related disciplines. The Group plans to strengthen the sales forces in the European Union and get more orders in the future.

Quality Assurance

The Group has set up a quality assurance department, which is responsible for supervising the implementation of the quality strategies for the Group. As at June 30, 2017, the quality assurance department consisted of 91 dedicated employees with biology or related education background, of whom 32 held master's or higher degrees. The effective quality assurance system can help the Company pass the official and customer's audit and build global quality system in the industry.

Major Achievements

- During the first half of 2017, the Company entered into cooperation agreements with innovative biopharmaceutical companies in China, including I-MAB Biopharma (天境生物科技（上海）有限公司) and EpimAb Biotherapeutics, Inc (上海岸邁生物科技有限公司).

- In March 2017, the Company won the "Best Asian Contract Manufacturing Organization (CMO)" award in the "Asia-Pacific Bioprocessing Excellence Awards 2017" (2017 亞太生物工藝卓越獎) presented by the internationally renowned consulting firm, IMPAC (Asia Control Systems, Ltd.).

- The Company's Shares were listed on the Stock Exchange of Hong Kong Limited on June 13, 2017.

Future and Outlook

Biotechnology is one of the most important innovative technology clusters in the 21st century. The biologics sector has experienced rapid growth in recent years. From the therapeutic perspective, cancer and autoimmune disease are the key application areas of antibody drugs, and their market share has been rising continuously. The global biologics market size reached approximately US$221 billion in 2016, of which mAb accounted for 42.7%. It is anticipated that within the next five years, the market of global biologics will grow at a CAGR of approximately 9.7%, while the CAGR of the biosimilars market will reach as high as 53.7%. Moreover, in the global market of biologics outsourcing services, the CAGR from 2012 to 2016 was 14.9%, and the CAGR from 2017 to 2021 has been forecasted to reach as high as 19%, showing that there is a strong global market demand for biologics outsourcing services.

China ranked second in global pharmaceutical markets. The market size of Chinese biologics is expected to grow by more than 100% from 2016 to 2021, the fastest growth among various regions worldwide. Benefitted from the economic growth and rising disposable income, expanded scope of Medical Insurance Reimbursement Schemes in China, as well as the possible availability of affordable mAb products (such as biosimilars), it is expected within the next few years, the CAGR of mAb will reach as high as approximately 25%. By 2020, China will become the largest pharmaceutical market in the world.

2017 is a critical year in China to deepen reforms in the medical and health system and to proceed with supply-side structural reforms. China has formally joined the International Conference on Harmonisation of Technical Requirements for Registration of Pharmaceuticals for Human Use ("**ICH**") which will have far-reaching influence on the overall pharmaceutical industry in China. Meanwhile, as CFDA has accelerated the pace of evaluation and approval, encouraged innovations, protected the interest of innovators and promulgated the licensing system of "Marketing Authorization Holder"《藥品上市許可人制度》 ("**MAH**") for marketing of pharmaceuticals, China will gradually converge with the international pharmaceutical regulatory system.

The Group, being one of the leading biologics service providers with comprehensive end-to-end capabilities in the global market of biologics outsourcing services, will benefit from favourable government policies in future. By serving as a gateway to China and the world, the Group will capture more development opportunities to become a dominant biologics company and aim to achieve a continuous growth in the second half of 2017 by implementing its "follow-the-molecule" strategy.

Financial Review

Revenue

The revenue of the Group increased by 59.5% from approximately RMB410.1 million for the six months ended June 30, 2016 to approximately RMB654.0 million for the six months ended June 30, 2017. The growth of sales was mainly attributed to (i) a continued increase in the number of customers and the strong growth in the number of integrated projects; (ii) marketing efforts made by the Group, resulting in robust market performance in China, the United States and Europe; and (iii) a gradual increase in market share of the Company while winning trust from more customers and expanding the market influence.

The revenue of the Group has maintained a strong growth during the Reporting Period. The Group derived a vast majority of its revenue from providing services to customers operating in the United States and China. The table below shows the revenue distribution by their respective countries/regions of operation:

	Six months ended June 30,			
	2017		2016	
	RMB million	**%**	RMB million	%
Revenue				
– United States of America	**342.3**	**52.3%**	223.9	54.6%
– PRC	**255.6**	**39.1%**	161.9	39.5%
– Europe	**19.4**	**3.0%**	1.1	0.3%
– Rest of the world (Note)	**36.7**	**5.6%**	23.2	5.6%
Total	**654.0**	**100.0%**	410.1	100.0%

Note: Rest of the world primarily includes Canada, Israel, Japan, India and South Korea.

Regarding the revenue of the Group generated from different stages, since the Group has adopted "follow-the-molecule" strategy, most of its projects are currently under the pre-IND stage and therefore, the pre-IND service charges of the Group accounted for a larger proportion of the revenue of the Group. For the six months ended June 30, 2017, the pre-IND revenue of the Group increased by 50.3% to approximately RMB448.3 million, accounting for 68.5% of the revenue of the Group. On the other hand, the post-IND service charges of the Group showed a rapid increase of 83.8% to approximately RMB205.7 million, accounting for 31.5% of the total revenue of the Group.

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

	Six months ended June 30,			
	2017		2016	
	RMB million	**%**	RMB million	%
Pre-IND services	**448.3**	**68.5%**	298.2	72.7%
Post-IND services	**205.7**	**31.5%**	111.9	27.3%
Total	**654.0**	**100.0%**	410.1	100.0%

Cost of Services

The cost of services of the Group increased by 74.4% from approximately RMB223.5 million for the six months ended June 30, 2016 to approximately RMB389.8 million for the six months ended June 30, 2017. The increase of the cost of services was mainly attributed to the growth of the business.

The cost of services of the Group consists of direct labor costs, cost of raw materials and overhead. Direct labor costs primarily consist of salaries, bonus, social security costs and share-based compensation for the employees in the Group's business units. Cost of raw materials primarily consists of costs incurred for the purchase of raw materials used in the rendering of the Group's services, such as reagents and chromatograph columns. Overhead primarily consists of depreciation charges of the facilities and equipment used in the rendering of the Group's services, testing service fees for the biologics testing work outsourced to WuXi AppTec, utilities and maintenance.

Gross Profit and Gross Profit Margin

The gross profit of the Group increased by 41.6% from approximately RMB186.6 million for the six months ended June 30, 2016 to approximately RMB264.3 million for the six months ended June 30, 2017. The increase in the gross profit was mainly attributed to (i) the growth of the Group's business; and (ii) an increase in the number of integrated projects. The Group's gross profit margin decreased from 45.5% for the six months ended June 30, 2016 to 40.4% for the six months ended June 30, 2017. The decrease in the gross profit margin was attributed to (i) a decrease in the milestone revenue, which allowed the Group to enjoy a higher profit margin on top of the service fees; (ii) the pilot operation of the new facilities at the Wuxi site, which led to an increase in material and labor costs; and (iii) the depreciation of the U.S. dollar against the Renminbi.

Other Income

The other income of the Group increased by 215.7% from approximately RMB5.1 million for the six months ended June 30, 2016 to approximately RMB16.1 million for the six months ended June 30, 2017, primarily due to an increase in government grants and subsidies.

Other Gains and Losses

The Group recorded net other losses of approximately RMB15.9 million for the six months ended June 30, 2017, compared with net other losses of approximately RMB0.8 million for the six months ended June 30, 2016, primarily due to an increase in net foreign exchange losses, partially offset by a decrease in provision of allowance for doubtful debts. The Group recorded net foreign exchange loss of approximately RMB13.8 million for the six months ended June 30, 2017, mainly as a result of the appreciation of the Renminbi against the U.S. dollar and H.K. dollar since the Listing on June 13, 2017. The net provision of allowance for doubtful debts of the Group decreased from approximately RMB6.2 million for the six months ended June 30, 2016 to approximately RMB4.0 million for the six months ended June 30, 2017.

Selling and Marketing Expenses

The selling and marketing expenses of the Group represent a relatively low percentage of the revenue of the Group (2.0% for the six months ended June 30, 2017, as compared to 1.6% for the six months ended June 30, 2016) and increased by 101.5% from approximately RMB6.6 million for the six months ended June 30, 2016 to approximately RMB13.3 million for the six months ended June 30, 2017, primarily because (i) the Group enhanced its independent sales and marketing presence in the United States with senior business development experts, and (ii) the Group incurred higher marketing expenses for marketing activities in the United States and Europe, including attending industry conventions and publishing advertisements.

Administrative Expenses

The administrative expenses of the Group increased by 28.4% from approximately RMB39.8 million for the six months ended June 30, 2016 to approximately RMB51.1 million for the six months ended June 30, 2017, primarily due to an increase in its administrative staff costs. The administrative staff costs of the Group increased by 12.4% from approximately RMB29.9 million for the six months ended June 30, 2016 to approximately RMB33.6 million for the six months ended June 30, 2017, primarily due to (i) the stock options granted to the Group's management under its employee share option plan, and (ii) an increase in the headcount of the Group's administrative personnel in light of the growth of its business. Although the administrative expenses increased year over year, the growth of the revenue has outpaced the growth of administrative expenses of the Group.

Research and Development Expenses

The research and development expenses of the Group increased by 20.9% from approximately RMB30.1 million for the six months ended June 30, 2016 to approximately RMB36.4 million for the six months ended June 30, 2017, primarily due to an increase in its research and development activities in connection with the development of next generation technologies and the improvement of its service efficiency.

Other Expenses

The other expenses of the Group increased by 89.4% from approximately RMB8.5 million for the six months ended June 30, 2016 to approximately RMB16.1 million for the six months ended June 30, 2017, due to the IPO expenses incurred for the Listing on June 13, 2017.

Finance Cost

The finance cost of the Group increased significantly by 286.4% from approximately RMB8.1 million for the six months ended June 30, 2016 to approximately RMB31.3 million for the six months ended June 30, 2017, due to an increase in interest expense. The Group has recorded an increasing bank borrowing balance since the first half of 2016. Please refer to the section headed "Management Discussion and Analysis — Indebtedness" for more information.

Income Tax Expense

The income tax expense of the Group increased by 72.7% from approximately RMB13.9 million for the six months ended June 30, 2016 to approximately RMB24.0 million for the six months ended June 30, 2017, primarily due to the growth of the Group's business. The effective income tax rate increased from 14.2% for the six months ended June 30, 2016 to 20.7% for the six months ended June 30, 2017, primarily because (i) Shanghai Biologics, which obtained the China's High and New Technology Enterprise qualification in 2016, was eligible for a special Enterprise Income Tax ("**EIT**") rate of 12.5% in 2017 as compared to EIT exemption for its 2016 profit; and (ii) an increase in share-based compensation, which was not tax deductible under the PRC law.

Net Profit and Net Profit Margin

As a result of the foregoings, the net profit of the Group increased by 9.9% from approximately RMB83.9 million for the six months ended June 30, 2016 to approximately RMB92.2 million for the six months ended June 30, 2017. The net profit margin of the Group for the six months ended June 30, 2017 was 14.1%, compared to 20.5% and 14.3% for the six months ended June 30, 2016 and the year ended December 31, 2016, respectively. The lower net profit margin compared to the six months ended June 30, 2016 was primarily due to (i) a higher interest expense; (ii) impact of foreign exchange losses, and (iii) lower milestone fees received during the Reporting Period.

The adjusted net profit[1] of the Group increased by 35.8% from approximately RMB112.5 million for the six months ended June 30, 2016 to approximately RMB152.8 million for the six months ended June 30, 2017. The adjusted net profit margin of the Group for the six months ended June 30, 2017 was 23.4%, compared to 27.4% and 22.2% for the six months ended June 30, 2016 and the year ended December 31, 2016, respectively. The lower adjusted net profit margin of the Group for the six months ended June 30, 2017 was primarily due to (i) higher interest expense and (ii) lower milestone fees received by the Group during the Reporting Period.

1 The adjusted net profit is calculated as net profit for the Reporting Period, excluding share-based compensation, foreign exchange gains or losses and Listing expenses.

EBITDA

The EBITDA[2] of the Group increased by 40.0% from approximately RMB146.8 million for the six months ended June 30, 2016 to approximately RMB205.5 million for the six months ended June 30, 2017. The EBITDA margin of the Group for the six months ended June 30, 2017 was 31.4%, compared to 35.8% and 29.6% for the six months ended June 30, 2016 and the year ended December 31, 2016, respectively. The lower EBITDA margin of the Group for the six months ended June 30, 2017 was primarily due to (i) lower milestone fees received by the Group during the Reporting Period; and (ii) impact of foreign exchange losses.

The adjusted EBITDA[3] of the Group increased by 51.7% from approximately RMB175.4 million for the six months ended June 30, 2016 to approximately RMB266.1 million for the six months ended June 30, 2017. The adjusted EBITDA margin of the Group for the six months ended June 30, 2017 was 40.7%, compared to 42.8% and 37.5% for the six months ended June 30, 2016 and the year ended December 31, 2016, respectively. The lower adjusted EBITDA margin of the Group for the six months ended June 30, 2017 was primarily due to lower milestone fees received by the Group during the Reporting Period.

Basic and diluted earnings per share

The basic and diluted earnings per share of the Group for the six months ended June 30, 2017 amounted to RMB0.09, which keeps flat as that for the six months ended June 30, 2016. Please refer to note 10 to the condensed consolidated financial statements in this announcement.

The adjusted diluted earnings per share[4] of the Group for the six months ended June 30, 2017 amounted to RMB0.15, representing an increase of 25.0% when compared with that of RMB 0.12 for the six months ended June 30, 2016. The increase in the adjusted diluted earnings per share was primarily due to (i) the increase in the adjusted net profit margin resulted from the strong business growth of the Group; (ii) increase in the adjusted net profit outpaced the increase in the dilutive potential ordinary shares.

Inventories

The inventories of the Group increased by 15.9% from approximately RMB79.0 million as at December 31, 2016 to approximately RMB91.6 million as at June 30, 2017, primarily as a result of the growth of the Group's business.

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2 EBITDA represents net profit before (i) interest income and expense, income tax expenses and (ii) amortization and depreciation.

3 Adjusted EBITDA is calculated as the EBITDA for the Reporting Period, excluding (i) interest income and expense, income tax expenses; (ii) certain non-cash expenses, consisting of share-based compensation, amortization and depreciation; (iii) Listing expenses and (iv) foreign exchange gains or losses.

4 Adjusted diluted earnings per share is calculated as adjusted net profit divided by weighted average number of ordinary shares for the purpose of calculating diluted earnings per share.

Service Work in Progress

The service work in progress of the Group increased by 20.5% from approximately RMB122.7 million as at December 31, 2016 to approximately RMB147.9 million as at June 30, 2017, primarily as a result of the growth of the Group's business.

Trade and Other Receivables

The trade and other receivables of the Group increased by 5.5% from approximately RMB419.4 million as at December 31, 2016 to approximately RMB442.4 million as at June 30, 2017, primarily due to an increase in custom duty recoverable.

Trade and Other Payables

The trade and other payables of the Group decreased by 5.9% from approximately RMB558.1 million as at December 31, 2016 to approximately RMB525.3 million as at June 30, 2017, primarily due to decreases in payables to related parties in relation to the Reorganization and trade payables to related parties, partially offset by increases in advances from third-party customers, payable for purchase of plant and equipment, trade payables to third parties, and payable in relation to the Listing.

Liquidity and Capital Resources

The primary uses of cash of the Group are to fund working capital, payment for the purchase of plant and equipment and other recurring expenses. During the Reporting Period, the Group funded its working capital and other capital expenditure requirements through a combination of cash generated from operations, loans from related parties (repaid on May 31, 2017) and bank loans. In June 2017, the Group received total proceeds of approximately RMB3,437.8 million (equivalent to approximately HK$3,952.6 million at the time of Listing) from the Listing and the full exercise of the Over-allotment Option (as defined in the Prospectus), after deducting the underwriting fees, commissions and related Listing expenses. The net proceeds would be further used to repay bank loans and fund working capital, payment for the purchase of plant and equipment and other recurring expenses.

The following table sets forth a condensed summary of the Group's consolidated statements of cash flows for the periods indicated and analysis of balances of cash and cash equivalents for the periods indicated:

	For the six months ended 30 June 2017 RMB'000	For the six months ended 30 June 2016 RMB'000
Net cash from/(used in) operating activities	**227,347**	(60,035)
Net cash used in investing activities	**(195,489)**	(144,589)
Net cash from financing activities	**3,436,621**	160,579
Effect of foreign exchange rate changes	**(17,797)**	2,622
Net increase/(decrease) in cash and cash equivalents	**3,450,682**	(41,423)
Cash and cash equivalents at the beginning of the period	**169,102**	158,229
Cash and cash equivalents at the end of the period	**3,619,784**	116,806

Capital Expenditures

The principal capital expenditures of the Group relate primarily to purchases of plant and equipment in relation to facilities construction and equipment purchases. The following table sets forth a breakdown of the Group's capital expenditures for the periods indicated:

	For the six months ended 30 June 2017 RMB'000	For the six months ended 30 June 2016 RMB'000
Equipment	**153,614**	120,122
Construction	**38,440**	120,071
Total	**192,054**	240,193

Significant Investments, Material Acquisitions and Disposals

As at June 30, 2017, there were no significant investments held by the Company. For the six months ended June 30, 2017 there were no material acquisitions or disposals of subsidiaries, associates and joint ventures.

Indebtedness

Borrowings

The Group recorded approximately RMB1,209 million bank borrowings as at June 30, 2017, compared to approximately RMB905 million as at December 31, 2016. The Group incurred new bank borrowings to (i) repay the loans borrowed from related parties, which were primarily used to fund the working capital needs of the Group, and (ii) fund the on-going construction of the new facilities at the Wuxi site.

Contingent Liabilities and Guarantees

As at June 30, 2017, the Group did not have any material contingent liabilities or guarantees.

Currency Risk

The Group principally operates in the PRC with most of the transactions being settled in RMB, which is the functional currency of most of the Group's entities. The Group also has certain subsidiaries in foreign operations. Foreign exchange risk arises from the recognised revenue and expenses, assets and liabilities and net investments in foreign operations. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through operating and financing activities denominated in the relevant foreign currencies. The group entities are exposed to foreign exchange risk of foreign currencies other than their functional currencies, primarily with respect to the U.S. dollars (the "**Non-functional Currencies**").

The Group received total IPO proceeds of approximately RMB3,437.8 million from the Listing on June 13, 2017 and the exercise of the Over-allotment Option on June 14, 2017 (after deducting the underwriting fees and related Listing expenses), which were exposed to relevant foreign currency risk. As at June 30, 2017, certain entities in the Group had Non-functional Currencies sales and purchases, which exposed it to relevant foreign currency risk. In addition, certain entities in the Group also have other payables and other receivables which are denominated in Non-functional Currencies. Fluctuations in exchange rates between the functional currency of respective group entities and Non-functional Currencies in which the group entities conduct business may affect the Group's financial position and results of operation. The Group seeks to limit its exposure to foreign currency risk by closely monitoring and minimizing its net foreign currency position. During the Reporting Period, the Group did not have any derivative financial instrument to hedge its foreign currency exposure.

Charges of Assets

As at June 30, 2017, the Group had pledged bank deposits with an amount of approximately RMB40.3 million (December 3`1, 2016: approximately RMB33.3 million), which mainly represented deposits placed in banks as collateral for such banks to issue letters of credit for its purchases of raw materials and equipment from overseas.

Contractual Obligations

As at June 30, 2017, the Group had contractual obligations in an amount of approximately RMB653.4 million, which decreased by 11.1% from approximately RMB734.9 million as at December 31, 2016, primarily due to (i) an approximately RMB66.7 million decrease in capital commitments, (ii) an approximately RMB8.9 million decrease in operating lease commitments, and (iii) an approximately RMB5.9 million decrease in obligation under a finance lease.

Gearing Ratio

Gearing ratio is calculated using interest-bearing borrowings less cash and cash equivalents divided by total equity and multiplied by 100%. As at June 30, 2017, the Group was in a net cash position and thus, gearing ratio is not applicable (December 31, 2016: 272.1%).

Employees and Remuneration Policies

As at June 30, 2017, the Group had a total of 1,998 employees, of whom 999 were located in Shanghai, 898 were located in Wuxi, Jiangsu Province, 85 were located in Suzhou, Jiangsu Province, and 16 were located in the United States and the United Kingdom. The staff costs, including Directors' emoluments but excluding any contributions to retirement benefit scheme contributions and share-based payment expenses, were approximately RMB147.8 million for the six months ended June 30, 2017, as compared to approximately RMB97.8 million for the six months ended June 30, 2016. 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 to provide incentive or reward to eligible participants for their contribution or potential contribution to the Group. Details of the Pre-IPO Share Option Scheme are set out in note 25 to the condensed consolidated financial statements in this announcement.

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 applicable laws and regulations. The Group also plans to open a new training center at the Wuxi site in the second half of 2017.

Interim Dividend

The Board does not recommend any payment of an interim dividend for the six months ended June 30, 2017.

Non-IFRS Measures

To supplement the Group's condensed consolidated financial statements which are presented in accordance with the IFRS, the Company has provided adjusted net profit, adjusted net profit margin, adjusted EBITDA, adjusted EBITDA margin and adjusted diluted earnings per share (excluding the share-based compensation expenses, Listing expenses and foreign exchange gains or losses) as additional financial measures, which are not required by, or presented in accordance with, the IFRS. The Company believes that the adjusted financial measures are useful for understanding and assessing underlying business performance and operating trends, and that the Company's management and investors may benefit from referring to these adjusted financial measures in assessing the Group's financial performance by eliminating the impact of certain unusual and non-recurring items that the Group does not consider indicative of the performance of the Group's business. However, the presentation of these non-IFRS financial measures is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with the IFRS. You should not view the adjusted results on a stand-alone basis or as a substitute for results under the IFRS.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Group is committed to maintaining high standard of corporate governance to safeguard the interests of the Shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has adopted the code provisions of the CG Code as set out in Appendix 14 to the Listing Rules as its own code of corporate governance. The CG Code has been applicable to the Company with effect from the Listing Date and was not applicable to the Company during the period from January 1, 2017 to June 12, 2017.

The Board is of the view that the Company has complied with all applicable code provisions of the CG Code since the Listing Date up to the date of this announcement, August 21, 2017. The Board will review the corporate governance structure and practices from time to time and shall make necessary arrangements when the Board considers appropriate.

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.

As the Company's shares were listed on the Stock Exchange on June 13, 2017, the Model Code and Written Guidelines were not applicable to the Company during the period from January 1, 2017 to June 12, 2017.

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 period from the Listing Date to June 30, 2017. No incident of non-compliance of the Written Guidelines by the employees who are likely to be in possession of inside information of the Company was noted by the Company.

USE OF PROCEEDS FROM LISTING

The total proceeds from the issue of new Shares by the Company in its Listing (after deducting the underwriting fees and related Listing expenses) amounted to approximately RMB3,437.8 million[(1)], and the balance of unutilized net proceeds of approximately RMB3,367.9 million was kept at the bank accounts of the Group as at June 30, 2017.

The net proceeds from the Listing (adjusted on a pro rata basis based on the actual net proceeds) have been and will be utilized in accordance with the purposes set out in the Prospectus. The table below sets out the planned applications of the net proceeds and actual usage up to June 30, 2017:

Use of proceeds	Planned applications (RMB'000)	Percentage of total net proceeds	Actual usage up to June 30, 2017 (RMB'000)	Unutilized net proceeds as at June 30, 2017 (RMB'000)
To replay all of the Group's outstanding bank facilities	1,209.2	36%	—	1,209.2[(2)]
To construct new facilities	1,739.7	52%	—	1,739.7
For the Group's working capital and other general corporate purposes	275.9	8%	—	275.9
To improve and maintain the Group's existing facilities	143.1	4%	—	143.1
Total	3,367.9	100%	—	3,367.9

Notes:

(1) It includes approximately RMB69.9 million which forms part of the Listing expenses payables to be settled after June 30, 2017.

(2) By July 31, 2017, the Group subsequently repaid in full the syndicated loan borrowed from SPDB International and Ping An (approximately RMB948 million). The remaining outstanding bank loan is expected to be repaid in early September 2017.

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

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

REVIEW OF INTERIM RESULTS

The independent auditors of the Company, namely, Deloitte Touche Tohmatsu, have carried out a review of the interim financial information in accordance with the Hong Kong Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. The Audit Committee has jointly reviewed with the management and the independent auditors of the Company, the accounting principles and policies adopted by the Company and discussed internal control and financial reporting matters (including the review of the unaudited interim results for the six months ended June 30, 2017) of the Group. The Audit Committee considered that the interim results are in compliance with the applicable accounting standards, laws and regulations, and the Company has made appropriate disclosures thereof.

EVENTS AFTER THE REPORTING PERIOD

The Group has the following events taken place subsequent to June 30, 2017:

- On July 31, 2017, the Group repaid in full the syndicated term loan of approximately RMB948 million as disclosed in note 18 to the condensed consolidated financial statements. For more details, please refer to the section headed "Use of Proceeds from Listing" in this announcement.

- On August 2, 2017, the United States Food and Drug Administration completed the pre-license inspection of the Group's current cGMP manufacturing facilities for production of ibalizumab with no critical observations. If the pre-license inspection is approved, ibalizumab will be the first biologics drug approved in the United States to be commercially manufactured in China, and will validate both the Group's global quality standard and pioneer use of disposable bioreactors for commercial manufacturing.

- On August 17, 2017, the Company entered into a license agreement with Arcus Biosciences, Inc. ("**Arcus**") in relation to the grant of exclusive license to certain development and commercialization rights of a novel anti-PD-1 antibody, namely GLS-010, to Arcus in North America, Europe, Japan and certain other territories. The Company and its business partner, Harbin Gloria Pharmaceuticals Co., Ltd.*(哈爾濱譽衡藥業股份有限公司), will receive from Arcus upfront and milestone fees up to an aggregate amount of US$816 million. It is expected that the upfront fee of US$18.5 million will be paid by Arcus in the second half of 2017. The Company believes that it demonstrates the successful role of the Company by serving as a gateway to China with extensive global capabilities, which enables it to increase its potential revenue significantly for each molecule. For more details, please refer to the Company's announcement dated August 17, 2017.

PUBLICATION OF THE 2017 CONDENSED CONSOLIDATED INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.wuxibiologics.com.cn). The interim report for the six months ended June 30, 2017 containing all the information in accordance with the requirements under the Listing Rules, will be despatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

DEFINITIONS

"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 shareholder of the Company
"Board" or "Board of Directors"	the board of Directors of the Company
"CAGR"	compound annual growth rate
"CG Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"cGMP"	Current Good Manufacturing Practice regulations, regulations enforced by the Food and Drug Administration of the United States on pharmaceutical and biotech firms to ensure that the products produced meet specific requirements for identity, strength, quality and purity
"Chairman"	the Chairman of the Board
"China" or "the PRC"	the People's Republic of China excluding, for the purpose of this announcement, Hong Kong, Macau Special Administrative Region and Taiwan
"Company" or "the 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
"European Union"	a politico-economic union of 28 member states that are located primarily in Europe
"Founding Individuals"	Dr. Ge Li, Dr. Ning Zhao, Mr. Xiaozhong Liu and Mr. Zhaohui Zhang

"Group" or "the Group"	the Company and its subsidiaries
"H.K. dollar(s)" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"IFRS"	International Financial Reporting Standards
"IND"	investigational new drug, 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 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 Date"	June 13, 2017, being the date on which the Shares were listed on the Main Board
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
"NYSE"	the New York Stock Exchange
"Main Board"	Main Board of the Stock Exchange
"MedImmune/AstraZeneca"	the global biologics research and development arm of AstraZeneca, which is an indirect shareholder of the Company's connected person, WX MedImmune
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules

"Ping An"	Pingan WX Pharm Limited, a company engaged in investment and incorporated under the laws of the Cayman Islands on October 28, 2015 with limited liability, an affiliate of Ping An Insurance (Group) Company of China Ltd., and a shareholder of Life Science Holdings
"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
"Reorganization"	the corporate reorganization of the Group conducted in preparation for the Listing, details of which are described in the section headed "History and Corporate Development — Reorganization" in the Prospectus
"Reporting Period"	the six-month period from January 1, 2017 to June 30, 2017
"Renminbi" or "RMB"	Renminbi Yuan, the lawful currency of China
"Shanghai Biologics"	WuXi Biologics (Shanghai) Co., Ltd. (上海藥明生物技術有限公司), a company incorporated in the PRC on January 6, 2015 and an indirect wholly-owned subsidiary of the Company
"Shareholder(s)"	holder(s) of Shares
"Share(s)"	ordinary share(s) in the capital of the Company with nominal value of US$0.000025 each
"SPDB International"	SPDBI WX Limited, a wholly-owned company of Shanghai Pudong Development Bank engaged in investment and incorporated under the laws of the Cayman Islands on October 15, 2015 with limited liability, and a shareholder of Life Science Holdings
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"U.S. dollar(s)" or "US$"	United States dollars, the lawful currency of the United States of America

"WAHK"	WuXi AppTec (Hong Kong) Limited, a company incorporated under the laws of Hong Kong on March 26, 2012 with limited liability and a wholly-owned subsidiary of WuXi AppTec
"Written Guidelines"	the Written Guidelines for Securities Transactions by Directors adopted by the Company
"WuXi AppTec"	WuXi AppTec Co., Ltd. (無錫藥明康得新藥開發股份有限公司), a company incorporated in the PRC on December 1, 2000, in which the Founding Individuals and investors own 34.48% and 65.52% of its voting power, respectively
"WX MedImmune"	WuXi MedImmune Biopharmaceutical Co. Ltd (無錫藥明利康生物醫藥有限公司), a company incorporated in the PRC on September 5, 2013, which is a wholly owned subsidiary of WuXi MedImmune Biopharmaceutical Co. Limited, a joint venture established in Hong Kong and owned as to 50% by WAHK and 50% by MedImmune Limited, a subsidiary of MedImmune/AstraZeneca
"WuXi PharmaTech"	WuXi PharmaTech (Cayman) Inc., a company incorporated under the laws of the Cayman Islands on March 16, 2007 with limited liability, which directly holds 79.17% issued share capital of Biologics Holdings. Its shares were listed on the NYSE (stock code: WX), and were delisted from the NYSE on December 10, 2015

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

By order of the Board
WuXi Biologics (Cayman) Inc.
Dr. Ge Li
Chairman

Hong Kong, August 21, 2017

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

* *For identification purpose only*