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)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED DECEMBER 31, 2019

FINANCIAL HIGHLIGHTS

		2019	2018	Change
		RMB million	*RMB million*	
Revenue		**3,983.7**	2,534.5	57.2%
Gross Profit		**1,658.8**	1,017.8	63.0%
Gross Profit Margin		***41.6%***	*40.2%*	
Net Profit		**1,010.3**	630.5	60.2%
Net Profit Margin		***25.4%***	*24.9%*	
Profit attributable to equity shareholders of the Company		**1,013.8**	630.6	60.8%
Adjusted Net Profit		**1,205.0**	751.5	60.3%
Adjusted Net Profit Margin		***30.2%***	*29.7%*	
Adjusted net profit attributable to equity shareholders of the Company		**1,208.4**	751.6	60.8%
		RMB	*RMB*	
Earnings per share	— Basic	**0.82**	0.52	57.7%
	— Diluted	**0.76**	0.48	58.3%
Adjusted earnings per share	— Basic	**0.98**	0.62	58.1%
	— Diluted	**0.91**	0.57	59.6%

The Board does not recommend any payment of final dividend for the year ended December 31, 2019.

Non-IFRS Measures

To supplement the Group's consolidated financial statements which are presented in accordance with the IFRS, the Company has provided adjusted net profit, adjusted net profit margin, adjusted net profit attributable to equity shareholders of the Company, adjusted EBITDA, adjusted EBITDA margin and adjusted basic and diluted earnings per share (excluding the share-based compensation 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 nonrecurring 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Overall Performance

The Group continues to implement the "Follow-the-Molecule" strategy and fulfill the "Global Dual Sourcing within WuXi Bio" manufacturing paradigm. During the Reporting Period and riding on its unparalleled capabilities and capacity and improved operational efficiency, the Group once again delivered outstanding results.

- The total number of integrated projects increased by 22.0% from 205 as at the same time last year to 250 as at December 31, 2019.

- The total number of pre-clinical projects increased by 24.7% from 97 as at the same time last year to 121 as at December 31, 2019.

- The total number of early-phase (phase I and II) projects increased by 19.1% from 94 as at the same time last year to 112 as at December 31, 2019 (85 in phase I and 27 in phase II).

- The number of late-phase (phase III) projects increased by 23.1% from 13 as at the same time last year to 16 as at December 31, 2019.

- The Group also achieved great success in progressing projects from pre-IND stage to post-IND stage: 21 projects progressed from pre-clinical development stage to early phase stage during the Reporting Period.

The following table sets forth the status of the on-going integrated projects of the Group as at December 31, 2019:

Biologics development process stage	**Number of on-going integrated projects[(1)]**	**Typical duration**	**Typical Revenue[(2)]**
Pre-IND			
— Drug discovery	—	2 years	US$1.5–2.5 mm
— Pre-clinical development	121	2 years	US$4–6 mm
Post-IND			
— Early-phase (phases I & II) clinical development	112	3 years	US$4–6 mm
— Phase I clinical development	(85)		
— Phase II clinical development	(27)		
— Late-phase (phase III) clinical development	16	3–5 years	US$20–50 mm
— Commercial manufacturing	1	Annually	US$50–100 mm[(3)]
Total	**250**		

Notes:

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

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

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

The Group's revenue for the year ended December 31, 2019 increased by 57.2% year-on-year to RMB3,983.7 million, together with a 63.0% year-on-year growth in gross profit to RMB1,658.8 million. The Group's total backlog, including the service backlog and upcoming potential milestone fees, also soared sharply by 40.2% from US$3,639.0 million as of December 31, 2018 to US$5,102.0 million as of December 31, 2019, of which service backlog increased from US$1,633.0 million to US$1,686.0 million and upcoming potential milestone fees increased 70.3% from US$2,006.0 million to US$3,416.0 million. The service backlog represents the amount the Group has contracted but is yet to perform. The total upcoming potential milestone fees represent the total amount for upcoming milestone fees, which the Group has contracted but has not yet performed nor received and will take longer to charge at various development stages, depending on the success rate and progress of the projects which may not be within the Group's control.

During the Reporting Period, the Group further diversified its customer base by working with 13 out of the 20 largest pharmaceutical companies in the world and 26 of the 50 largest pharmaceutical companies in China. The Group provided services to 266 customers for the year ended December 31, 2019, compared with 220 customers last year. The average revenue per customer among the top ten customers grew 65.6% from approximately RMB119.3 million for the year ended December 31, 2018 to approximately RMB197.6 million for the year ended December 31, 2019 as a result of more projects progressing into later stages and additional customer projects. The Group believes that continuous capability and capacity expansion as well as cooperation with and commitment to its existing customers will enhance its value chain and continue to capture the opportunities in this growing market in the future.

Strategic Highlights

The Group has been constantly embracing the changes in the global biologics industry and leading technology innovation through biologics discovery, development and manufacturing. During the Reporting Period, the Group sustained momentum in pioneering the biologics CDMO industry through, among others, the following achievements in its core business:

- The Group's state-of-the-art Antibody Drug Conjugates ("**ADC**") Drug Product Facility 3 ("**DP3**") commenced GMP manufacturing during the Reporting Period. Together with our ever-evolving WuXiBody™ bispecific antibody platform, the Group established itself as one of the few CDMOs across the globe capable of providing one-stop service from Drug Substance ("**DS**") to Drug Product ("**DP**") for both bispecific antibody and ADC biologics.

- The Group's first commercial manufacturing project has commenced production in the Wuxi site Manufacturing Facility 1 ("**MFG1**"), which is the first and only biologics manufacturing facility in China approved by both the U.S. FDA and the EU EMA. The dual-approval fully validated the Group's commitment to maintaining the highest global quality standards while providing powerful support for its unique manufacturing paradigm "Global Dual Sourcing within WuXi Bio".

- The Group started significant deployment of more than 280,000 liters total planned biologics production capacity globally. This global capacity expansion lays a solid foundation for the Group's "Global Dual Sourcing within WuXi Bio" manufacturing paradigm, with which the Group's partners can manufacture from facilities within the Group's global supply network in China, the EU and the U.S. to ensure their global supply and eliminate the risks associated with inter-company technology transfer.

- The Group's vaccines CDMO business also entered into a strategic partnership manufacturing agreement with a global vaccine leader ("**Vaccine Partner**"). We also initiated an investment in a new vaccine manufacturing facility in Ireland. Under this strategic partnership manufacturing agreement, WuXi Vaccines Ireland Limited ("**WuXi Vaccines**"), the Group's subsidiary, will build an integrated vaccine manufacturing facility, including drug substance and drug product manufacturing as well as quality control labs, and manufacture certain vaccines for the Group's Vaccine Partner in Ireland. The agreement's initial term is twenty years with a total contract value estimated to be over US$3 billion. This strategic partnership with a global vaccine leader to manufacture vaccines for the global market showcases the Group's technical strengths and premier quality standards. The vaccine business will contribute substantially to the Group's future overall business growth.

Our Technology Platforms

During the Reporting Period, the Group stepped up its investments in the innovation and improvement of cutting-edge technology platforms throughout the life cycle of biologics discovery, development and manufacturing, which will not only generate further milestones and royalty revenues but also introduce more biologics projects into the Group's pipeline under the "Follow-the-Molecule" strategy.

Antibody Drug Conjugate (ADC)

ADC is a new class of highly potent biologics composed of an antibody linked, via a chemical linker, to a biologically active drug or cytotoxic compound. Such extremely complex "guided missiles" carrying, for example, a powerful anti-cancer drug by an antibody are often the last-attempted treatments. Compared to traditional chemotherapies and monoclonal antibodies ("**mAbs**"), ADCs show superior efficacy, lower off-target toxicity and a larger therapeutic window, and relevant studies show they helped patients whose survival outlooks were discouraging. In 2019, three of the 14 new biologics approved by the U.S. FDA were ADCs, the most ever approved in a single year for ADCs. With the growing number of ADC candidates at unprecedented levels, the industry is optimistic that an ADC era may have arrived.

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

Following the guideline of "WuXi Bio Speed", the Group's first facility of its world-leading integrated biologics conjugate solution center, Drug Product Facility 3 ("**DP3**"), was released in August 2019 for GMP manufacturing, a mere 17 months from its inception in March 2018. The DP3 encompasses an area of approximately 6,000 square meters and provides integrated solutions from process development, technology transfer, pilot scale to cGMP production for ADCs and other complex protein conjugates, strictly complying with global quality standards. To meet a variety of conjugation technologies including traditional lysine and cysteine conjugation and novel site-specific conjugation, DP3 is equipped with the world's leading conjugation production line, which includes single-use reactor systems ranging from 5L to 500L, purification systems taking advantage of state-of-the-art filtration and chromatography technologies, a temperature control unit with agile operation and high accuracy, and a well-developed rapid cooling system for specific products. The flexible plant has other critical equipment that can be adapted as needed depending on the clients' requirements. DP3's filling line adopts the advanced fully isolated automatic aseptic filling system, which can produce 2/6/10/20/50 ml liquid and freeze-dried products. The DP3 provides the flexibility to meet the production requirements of global clinical trials and product launch. Furthermore, DP3 has two pilot plants for conjugation process development and drug product process development, including lyophilized drug product, to efficiently perform scale up activities.

In October 2019, only two months after its release, DP3 officially commenced production of an ADC drug substance and drug product, which again solidified the Group's leading role in the biologics CDMO industry. During the Reporting Period, DP3 successfully completed multiple batches of ADC production.

Building on the Group's extensive experiences, cutting-edge technologies and unparalleled capacity in ADC development and manufacturing, it has taken the lead in offering a single-source service technology platform for global ADC biologics. 28 ADCs have been or are being developed for our clients and partners at the Group and 13 ADC projects have been successfully advanced by the Group to IND filing stage.

The Group has also further planned to expand the integrated biologics conjugate solution center with additional facilities to enhance the R&D capability, solidify the quality control system and enable cGMP commercial manufacturing for ADC drug substance and drug product to keep pace with growing global demand for ADC outsourcing services.

Bispecific Antibody

By harnessing the specificities of two antibodies and combining them to simultaneously recognize different antigens or epitopes, bispecific antibodies aim to treat multifaceted, complex diseases and continue to show significant and impressive therapeutic value. Currently there are more than 100 different bispecific formats available, and approximately 80 bispecific antibodies in clinical trials. Many believe that bispecific antibodies are the next-generation protein therapeutic for cancer and other diseases.

Despite how promising they are, bispecific antibodies have been difficult to develop because of their unique biology and complex structure compared with traditional mAbs. Based on the Group's extensive experience in antibody development and its top team of scientists, the Group developed and launched the innovative WuXiBody™ bispecific antibody platform to empower clients to develop novel bispecific antibodies in a better and faster way.

WuXiBody™ allows complete flexibility and also permits almost any mAbs pair to be easily joined to build a bispecific antibody. Using the WuXiBody™ platform, it only takes approximately 2–4 months to engineer a bispecific after receiving the monoclonal antibody sequences. After that, the development and manufacturing timeline from this new bispecific to IND is only 16–18 months, which compares similarly to mAb development timelines. Furthermore, WuXiBody™ offers many other benefits, including high yield, high solubility, good stability in serum and increased in vivo half-life, amongst others.

With its flexibility, versatility and efficiency, WuXiBody™ can considerably expedite bispecific development at a much lower cost. Since its market launch, WuXiBody™ has been steadily adopted in the industry. The Group's scientists have also been invited to present on the WuXiBody™ platform at various world renowned antibody conferences including but not limited to PEGS (Protein Engineering Summit) and the Antibody Engineering and Therapeutics Conference. During the Reporting Period, the Group signed 20 WuXiBody™ molecule licensing agreements with 12 partners. Relevant businesses working with WuXiBody™ platform have delivered strong growth for the Group.

Other key technology platforms

In addition to its industry-leading ADC and bispecific technology platforms, the Group also offers various advanced technology platforms for biologics discovery, development and manufacturing.

WuXia, the Group's proprietary cell line development platform enables the Group to conduct more than 60 IND-enabling projects per year, one of the largest capacities in the world. WuXia has provided more than 277 cell lines for pre-clinical development and beyond. Utilizing the proprietary expression vector system, top 3 clones with high titers can be obtained and utilized for process development and cGMP manufacturing. Combined with the Group's cGMP cell banking and cell line characterization services, the WuXia platform is ideal for the production of a variety of therapeutic proteins including mAbs, bispecific antibodies, fusion proteins and recombinant proteins.

WuXiUP, the Group's proprietary continuous manufacturing platform, utilizes 2,000L disposable bioreactors to achieve comparable productivity as a traditional 20,000L stainless steel bioreactor while still providing similar or even better purification yield. Through this, it accelerates biologics development and manufacturing and improves the affordability of biologics. The intensified and continuous cell culture process can be rapidly developed or converted from traditional fed-batch process while maintaining excellent scalability and robustness. Coupled with continuous product capture column chromatography, the WuXiUP platform enables continuous direct product capture with a similar or better purification yield as the traditional purification process for almost any biologics. During the Reporting Period, this continuous direct product capture platform was established and successfully scaled up at the Shanghai site for production of clinical supplies with consistent process performance and product quality profiles. WuXiUP has been implemented in more than 17 projects for production of mAbs, bispecific antibodies, fusion proteins and enzymes achieving ultra-high productivity.

Strategic Collaboration with Global Partners

Leveraging cutting-edge technologies, best-in-industry timelines, an excellent track record and unparalleled capacity, together with the combination of the "Follow-the-Molecule" strategy and the "Global Dual Sourcing within WuXi Bio" manufacturing paradigm, more strategic collaborations were formed and more biologics projects were introduced into the Group's pipeline, including without limitation:

- Exclusive commercial manufacturing partnership with Amicus Therapeutics ("**Amicus**"), a global, patient-dedicated biotechnology company listed on NASDAQ (Stock code: FOLD), for Amicus' Pompe biologic ATB200. ATB200 was initiated at the Group in 2012 at the initial drug concept stage and now the drug has progressed into a pivotal study. Pursuant to the partnership agreement, the Group enables and supports Amicus by manufacturing both the drug substance and drug product at two sites across its global commercial supply network in China, the EU and the U.S. During the Reporting Period, batches of drug substance and drug products for ATB200 were produced at the Group's Wuxi site.

- Expanded strategic collaboration with ABL Bio, a South Korean listed biotechnology company (Stock code: 298380), by which the Group licensed technology platforms, including WuXiBody™, to ABL Bio for development of novel bispecific antibodies and immune-oncology program.

- Comprehensive development and manufacturing partnership with NBE-Therapeutics ("**NBE**"), a Swiss biotech company developing best-in-class, next-generation ADC products, for NBE's first ADC lead product NBE-002. NBE-002 is a best-in-class immune-stimulatory ADC treatment against the ROR1 cancer target. The Group will enable the supply of NBE's product for clinical trials under IND applications worldwide.

- Long-term strategic partnership with I-Mab Biopharma ("**I-Mab**"), a NASDAQ listed biotech company (Stock code: IMAB) focusing exclusively on innovative biologics in immuno-oncology and auto-immune diseases, on biologics process development, clinical and commercial manufacturing of I-Mab's highly innovative pipelines. I-Mab will leverage the Group's expertise and capabilities for CMC (Chemistry, Manufacturing and Control) development of at least five programs and commercial manufacturing of at least one program for its proprietary monoclonal antibody, bispecific antibody and fusion protein pipelines.

- Strategic collaboration with NovoCodex Biopharmaceuticals Co., Ltd. (浙江新碼生物醫藥有限公司, "**NovoCodex**"), a subsidiary of the Shanghai Stock Exchange listed company Zhejiang Pharmaceutical Co., Ltd. (浙江醫藥股份有限公司, Stock code: 600216), by which the Group will provide comprehensive development and clinical and commercial manufacturing services for NovoCodex's innovative ADC drug ARX788.

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

Our Facilities

During the Reporting Period, we had three operational sites in Wuxi, Shanghai and Suzhou, conveniently located within driving distance from each other.

Wuxi Site

The Wuxi Site houses part of the Group's clinical and commercial manufacturing facilities, and also provides services such as assay, formulation and process development, process validation, lot release testing, stability studies, drug product formulation, fill and finish, and regulatory support services for recombinant protein, monoclonal antibodies and antibody drug conjugates.

The Group's MFG1, the first and only biologics manufacturing facility in China approved by both the U.S. FDA and the EU EMA, has been manufacturing commercial products for customers since 2018. MFG1 performs cGMP and maintained a high capacity utilization rate during the Reporting Period.

The Group's Manufacturing Facility 2 ("**MFG2**") deploys fourteen 2,000L-capacity and two 1,000L-capacity disposable bioreactors. The combination of multiple single-use bioreactors offers a highly flexible manufacturing strategy and competitive cost structure compared with traditional stainless steel bioreactor facilities. MFG2 began its cGMP biologics manufacturing in December 2017 and conducted a process validation campaign at 6,000L scale to support global product registration and launch for a key partner in July 2018. MFG2 is primarily used for late-phase projects manufacturing.

The Group's Manufacturing Facility 4 ("**MFG4**") was GMP released in July 2019. MFG4 is the Group's fourth GMP released drug substance facility and the first facility in China to use a 4,000L-capacity bioreactor, which is the industry's largest disposable bioreactor in production. In addition, the facility has installed two 2,000L-capacity and two 1,000L-capacity single-use bioreactors for flexible production options for its customers. The facility can support fed-batch and other new types of cell culture processes.

In July 2019, the Group's Drug Product Facility 4 ("**DP4**") at the Wuxi site was GMP released for GMP manufacturing and successfully completed the first product engineering run under GMP conditions. DP4 is the first robotic aseptic filling line for biologics in China and the second GMP released sterile filling DP facility of the Group. With its key advantages of vacuum stoppering and nitrogen protection, process flexibility, container flexibility and aseptic assurance, DP4 is capable of manufacturing both pre-filled syringe ("**PFS**") and vial products for early stage clinical supplies. The unique design of the system used in this facility aligns well with the Group's scale-out manufacturing strategy.

Please also refer to the section headed "Our Technology Platforms" for our ADC facility at the Wuxi site.

Shanghai Site

The Group's Shanghai site houses drug discovery and pre-clinical development facilities and part of the Group's cGMP clinical manufacturing facilities. Services provided include novel mAb discovery, bispecific antibody engineering, ADC discovery and development, cell line engineering and development, assay, formulation and process development, assay and process validation, process and product analytical characterization, and cGMP cell banking, manufacturing and release of clinical supplies.

With the 7,000L capacity of the Group's Manufacturing Facility 3 ("**MFG3**"), the Shanghai site now offers complete one-stop biologics development and manufacturing services in one central location, thus streamlining clinical CMC (Chemistry, Manufacturing and Control) activities even further to enable the Group's customers to reach their clinical manufacturing goals within the shortest time possible.

The Group's global innovation center in the Fengxian district of Shanghai has made progress in its initial construction phase during the Reporting Period. Once put into operation, this new state-of-the-art biologics center will have 150,000 square meters for biologics discovery, development, clinical and commercial manufacturing facilities, and will be one of the largest facilities of its kind globally.

Suzhou Site

The Suzhou site houses biosafety testing facilities, providing services such as viral clearance, cell bank testing and cell line characterization studies. The Suzhou site has built state-of-the-art biosafety testing facilities that can support all biosafety testing requirements for biologics manufacturing. The quality system and testing capability of Suzhou site were further enhanced by obtaining certifications from both China Inspection Body and Laboratory Mandatory Approval ("**CMA**") and China National Accreditation Service for Conformity Assessment ("**CNAS**"), which validated the Group's high level of quality commitment to its global customers.

The Suzhou site continued to improve its operational excellence during the Reporting Period, which significantly shortened the turnaround times for all the biosafety tests and viral clearance validation studies. Various awards from key customers were received by the Suzhou site during the Reporting Period, in recognition of many achievements to enable our key customers to release biologics products for clinical and commercial applications. The Suzhou site also signed several strategic cooperation agreements with a number of key customers for late-phase and commercial projects, including those for commercial product bulk release and Biologics License Application (BLA) viral clearance services. These agreements strengthened the long-term relationships between the Group's partners and the Suzhou site.

During the Reporting Period, the Suzhou site increased its capacity significantly by putting its new laboratory building into operation. With its 16,000 square meter area equipped with advanced instruments, the Suzhou site is further enabling the Group's partners with much broader service spectrum and aims to become one of the top Asia-Pacific biosafety testing service providers.

Research and Development ("R&D")

During the Reporting Period, the Group's R&D team continuously focused on: (i) enhancing innovative biologics generation capabilities and optimizing several existing technological platforms, including traditional hybridoma technology, premium humanization and antibody optimization platforms, phage display technology, fully human antibodies, bispecifics, multispecifics, nanobodies and antibody fragments to expedite the discovery of novel therapeutic biologics; (ii) supporting the Group's global partners in using the proprietary bispecific antibody platform WuXiBody™, enabling them to considerably accelerate the development process of new bispecific biologics; (iii) enhancing the Group's in vitro and particularly in vivo biology capabilities and capacity to enable the screening, identification and characterization of desired biologics as drug development candidates; (iv) continuously identifying and prioritizing new areas of biologic innovation and developing proprietary technologies to enable the Group's customers to discover and develop differentiated novel biologic drugs; (v) continuously enhancing R&D capabilities in the design and discovery of best-in-class and novel preclinical candidates ("**PCC**") driven by deep understanding of disease biology and target biology and mastery of state-of-the-art biologics engineering technologies; and (vi) refining system and team building for more efficient business operations and optimized cost control to ensure the provision of quality and efficient technical solutions to customers. Through R&D activities, the Group developed various proprietary technologies, which enabled us to receive milestone and royalty fees from customers utilizing such technologies.

For the year ended December 31, 2019, the R&D expenditure was RMB259.7 million, which accounted for 6.5% of the Group's revenue. The Company's R&D team has approximately 250 scientists, many of whom have multiple years of biologics drug discovery experience at multinational pharmaceutical companies.

The Group endeavors to improve and innovate its technologies to optimize and enlarge the entire spectrum of services offered to the global biologics industry and to provide the new biologics R&D solutions to our customers and partners so as to ultimately benefit patients worldwide.

Sales and Marketing

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

The multichannel marketing approach involves both technical and sales presence at various global industry trade conferences. Through the first half of 2019, the Group invited C-level and other senior management in the industry to meet in January during the week of the J.P. Morgan Healthcare Conference in San Francisco and then again six months later at the annual "BIO" conference in Philadelphia. Both conferences brought together over 16,000 executives and other key industry leaders from biopharma/pharma companies worldwide and allowed the Group's business development and senior management staff to discuss with existing key accounts and potential clients how the Group can help them in their critical biologics development efforts. The Group also attended events held in regional venues like BioEurope, BioKorea and CPhI Japan to further discuss with senior-level executives on the advantages and competitiveness of the Group's one-stop biologics development platform. The Group also attended or presented its various platform technologies at technology-centric conferences dedicated to biologics discovery, development and manufacturing. Multiple presentations on the Group's disruptive WuXiBody™ bispecific antibody platform were given at events like the PEGS (Protein Engineering Summit) Conference in Boston, Next Generation Protein Therapeutics Summit in San Francisco and Antibody Engineering and Therapeutics Conference in Amsterdam.

During the Reporting Period, the Group used various marketing and promotional strategies that included company press releases, advertisements and social media to promote its various technologies, including the exciting WuXiBody™ bispecific platform, WuXia cell line development platform and WuXiUP continuous manufacturing platform. Using the global multichannel marketing approach to highlight its differentiated competitive strengths, the Group once again solidified its role as the world's leading premier supplier and partner in the biologics industry.

Quality Assurance

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

The Quality Department is responsible for implementing the Group's global quality system and supervising quality operations to ensure GMP compliance within the Group's manufacturing environment. In March 2019, the U.S. FDA licensed DS and DP manufacturing facilities in the Wuxi site MFG1, and together with the cell banking facility in the Shanghai site, received GMP certificates from the EU EMA following pre-approval inspections conducted in January 2019.

The U.S. FDA and the EU EMA approvals distinguish the Group as the first and only biologics manufacturing company in China approved by both regulatory agencies. This also validates that the DS and DP operations, as well as the cell banking facility of the Group are in compliance with applicable regulations and that the Quality Department has established a global quality system in line with international standards.

In April 2019, the DS and DP manufacturing facilities in the Wuxi site MFG1 successfully completed the U.S. FDA's routine post-approval GMP inspection. The outcome of this inspection again reinforces that the quality system at the Group strictly adheres to U.S. FDA GMP regulations.

In addition, the Group's Biosafety Testing Laboratory at the Suzhou site, accredited by CMA and CNAS in 2018, has successfully completed a pre-approval inspection, with solid support and comprehensive oversight from the Quality Department, by the EU EMA for a different Market Authorization Application in December 2019.

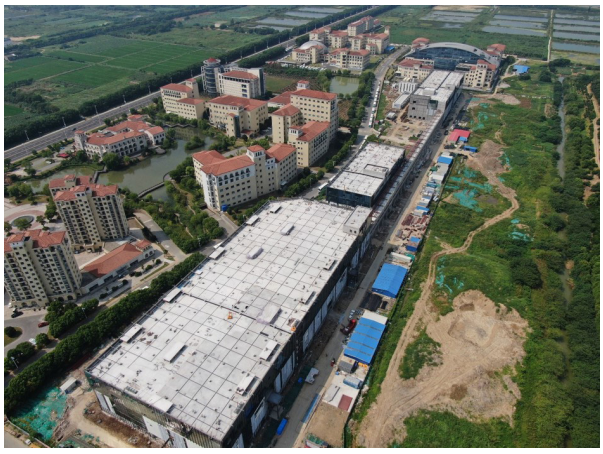
Capacity Expansion Plan

The Group is continuously investing in its global capacity expansion plan to satisfy the burgeoning capacity demands from the increasing number of late-phase projects, upcoming customer orders and "Global Dual Sourcing within WuXi Bio" manufacturing paradigm. The total planned capacity of biologics production reached more than 280,000 liters as of December 31, 2019.

Facility	Designed Capacity	Location	Comments
MFG5	60,000L fed-batch	Wuxi	Commercial
MFG6	6,000L perfusion	Ireland	Commercial
MFG7	48,000L fed-batch	Ireland	Commercial
MFG8	48,000L fed-batch	Shijiazhuang	Commercial
MFG9	6,000L fed-batch	Wuxi	Clinical/Commercial
MFG10	4,500L fed-batch/perfusion	Singapore	Clinical/Commercial
MFG11	4,500L fed-batch/perfusion	Worcester, US	Clinical/Commercial
MFG12	48,000L fed-batch	Chengdu	Commercial

The Group's MFG5 Facility construction and start-up progressed well during the Reporting Period. Once completed, MFG5 will be the world's largest single-use bioreactor based cGMP biologics facility. It will host a nine 4,000L bioreactor line and a twelve 2,000L bioreactor line.

The Ireland site (MFG6 and MFG7), which will be the Group's first overseas site, progressed well in its construction during the Reporting Period. As at December 2019, main buildings have achieved "weather-tight" status. Once completed, this "Factory of the Future" will become one of the world's largest facilities using single-use bioreactors with a next generation continuous manufacturing process technology.



MFG8 broke ground in 2018 in Shijiazhuang, the capital city of Hebei Province in Northern China. With a planned capacity of 48,000L and one of the largest single-use platform technology facilities globally, MFG8 was designed to meet the international advanced cGMP standards of the U.S., EU and China. As of December 31, 2019, MFG8 has completed outer shells of certain auxiliary buildings and started piling on the main buildings.

MFG9, MFG10 and MFG11 are actively in design and planning stage. MFG9 will be the first benchmark facility of the Group's next generation manufacturing platform, which enjoys the advantage of high flexibility, cost effectiveness and high output.

During the Reporting Period, the Group launched the construction of a new 120,000 square meters integrated manufacturing center for innovative biologics ("**MFG12**") in Chengdu, one of the largest cities in southwest China. This new integrated manufacturing center will include biologics development and commercial manufacturing facilities with initial bioreactor capacity of 48,000L.

Company Awards

During the Reporting Period, the Company received many recognitions and awards for the outstanding performance achieved in the provision of high-quality and best-in-class service to accelerate and transform biologics development. Its top honors included the following:

- Asia's Best CMO of 2018 (IMAPAC「二零一八年亞洲最佳CMO獎」) by a leading consulting firm IMAPAC; the Company has now received IMAPAC Awards three years in a row;

- 2019 CMO Leadership Awards from Life Science Leader Magazine (Life Science Leader Magazine「CMO領軍企業獎」) in all six core categories: quality, reliability, service, expertise, capabilities and compatibility across the group of Big Pharma; this represents a significant leap from 2018 which saw recognition in one category — reliability;

- Golden Hong Kong Stock and Most Valuable Pharmaceutical Stock from 2018 Golden Hong Kong Stock Awards (智通財經和同花順「金港股大獎」及「最具價值醫藥股獎」); the Company was the only pharmaceutical company awarded the Golden Hong Kong Stock Award;

- Best Investor Relationship Management Hong Kong Listed Company from Newfortune, China's leading finance media (中國知名財經媒體新財富「最佳IR港股公司」);

- 2019 Most Growth Hong Kong Stock Listed Company from Gelonghui, China's leading global investment research platform (格隆匯首屆二零一九年度「港股上市公司最具成長獎」);

- 2019 Excellent Biopharmaceutical Company Award from Hong Kong leading financial magazine China Financial Market (《中國融資》二零一九年度「卓越生物醫藥企業大獎」); and

- Special Award to Investors in Ireland presented at the 2019 Global Business Summit held by Asia Matters, Ireland's only dedicated Asia think tank focusing on EU-Asia trade, investment, economics and international relations.

Investors Relations

The Company strives to maintain high standards of corporate governance so as to ensure its sustainable long-term development strategy. The Company uses a range of communications, including but not limited to, announcements, press releases, general meetings, interim and annual reports and circulars, to keep shareholders and investors informed of key business updates.

To promote effective communication, the Company has proactively participated in a number of investment forums and roadshows to get closer to investors and shareholders domestically and globally, including the annual J.P. Morgan Healthcare Conference in San Francisco, J.P. Morgan "Best of Asia" Conference in London, Morgan Stanley China Summit in Beijing, Goldman Sachs Annual Global Healthcare Conference in Los Angeles, J.P. Morgan Healthcare CEO-CFO Forum in Suzhou, UBS Hong Kong Stock Corporate Day, Credit Suisse China Investment Conference in Shenzhen, Citi China Investor Conference in Macau, Deutsche Bank China Healthcare Industry Forum in Shanghai, Morgan Stanley Asia Pacific Summit in Singapore and Bank of America Merrill Lynch China Conference in Beijing amongst others. The Company also held its first Investor Day in June 2019 in Wuxi City, gathering its management team and over 200 global investors.

Moreover, the Company offered frequent factory visits to worldwide investors, at both the Shanghai and Wuxi sites, in order to deepen their understanding of the Company's strategy, business and culture.

As part of efforts to increase transparency, the Company provides easy access via its website for investors and shareholders to get the latest corporate presentations, documents and filings. In addition, agendas from historical and upcoming teleconferences, meetings and roadshows are made available online. The Company also provided contact details, trying to answer every inquiry from investors effectively and efficiently.

During the Reporting Period, the Company was included in Hang Seng Hong Kong-Listed Biotech Index and received awards for its professional and efficient management of investor relations. Please refer to the section headed "Company Awards".

Index Inclusion

- Hang Seng Composite LargeCap & MidCap Index (2017)
- Hang Seng Healthcare Index (2017)
- Hang Seng Global Composite Index (2017)
- Hang Seng Stock Connect Hong Kong MidCap & SmallCap Index (2017)
- Hang Seng SCHK HK Companies Index (2017)
- Hang Seng SCHK ex-AH Companies Index (2017)
- Hang Seng Stock Connect Hong Kong Index (2018)
- Loncar China BioPharma Index (2018)
- MSCI China Index (2018)
- Hang Seng HK 35 Index (2018)
- Hang Seng Hong Kong-Listed Biotech Index (2019).

Future and Outlook

2019 was an exciting year for the biologics industry with the U.S. FDA's approval of approximately 14 new biologics as well as China's substantial healthcare sector reform intended to accelerate innovation. Driven by the rapid pace of innovation with legions of biologics in the drug pipeline, increasing investment, advantageous regulatory environment and surging demand across the world, the biologics market is expected to continue its meteoric rise in the coming years.

Biologics is the fastest-growing sector of the pharmaceutical market as eight biologics appeared in the top ten selling drugs as of the end of 2018. The global biologics market was valued at USD251.5 million in 2018 and is expected to reach USD625.6 million by 2026, at a CAGR of 11.9%. In addition, although a relatively niche subset of biologics industry, ADC therapeutics gained traction in 2019, with almost 50% of all ADC drugs on the market receiving approval from the U.S. FDA in a single year. Based on drug company pipeline data, it appears that this growth trend will continue into the foreseeable future. Some estimate that commercial sales of ADCs will grow 22% annually for the next 5 to 10 years. Another biologics super star, bispecific antibody — although still rather complicated and challenging in development — may evolve to replace monoclonal antibodies as safer, more effective antibody-like treatments.

Along with the market growth and the continuous complexities of biologics, extensive expertise, experience and massive capital expenditure are necessary to develop these innovative biologics. Outsourcing to experienced and reputable CDMOs is being viewed increasingly as a silver bullet by both large pharmaceutical companies and small and medium-sized biotechnology companies in order to maintain competitiveness and bridge the gap between performance and opportunity. A significant number of new biologics launched in the U.S. in the last five years were developed and manufactured at CDMOs, highlighting pharma's growing dependency on reliable CDMOs. Furthermore, biopharma is also resorting to single-source CDMOs, from proof of concept to commercialization, in order to take advantage of the inherent speed and advanced technologies and expertise. A shift to a more cost effective, efficient and professional integrated outsourcing paradigm is more attractive to biopharma.

China has the world's second-biggest pharmaceutical market. Pharmaceutical sales in 2018 reached US$137 billion, doubling in just six years, and are projected to be worth half of the U.S. market by 2030, up from a quarter now. While China's biotech sector is just 12% of its overall pharmaceutical market, it is still only half the global average of 25%. It's clear that enormous market potential has not been unlocked. Backed with such an exponentially increasing and developing market, China has begun its biologics industry makeover by, including without limitation, growing alignment of China's drug regulation with international standards. In 2019, China promulgated a major revision of its Drug Administration Law, the cornerstone of China's pharmaceutical legal framework, which officially adopted the Clinical Trial Notification and Self-reporting of Clinical Trial Sites. In addition, the new Vaccine Administration Law, which took effect on December 1, 2019, officially recognized the vaccine CMO model. Together with the sustained momentum of various NMPA (National Medical Products Administration) reforms, the review and approval process for innovative biologics accelerated considerably. At the same time, consolidation of drug procurement by state hospitals that began in 2015 squeezed the bloated prices of generic drugs. By one estimate, this freed up USD30 billion a year for more costly novel medicines, especially innovative biologics.

Meanwhile, the private sector is pouring money into biologics research and researchers. China's legions of science graduates are also sharpening their edges in biologics innovation. 2019 witnessed the capital market's unabated enthusiasm for providing diversified financing channels for biologics. The Stock Exchange and Scientific-Technology Innovation Board in Shanghai stock markets provide much needed funding sources for young and yet-to-profit biologics firms. A total of US$2.3 billion has been raised from eight Chinese biologics firms' initial public offerings on the Stock Exchange in 2019, almost ten times that of its European competitors, and three of those IPOs are ranked in the top 10 global biologics IPOs.

Empowered by favorable policies, together with experienced biologics scientist teams and capital market support, China has a growing role and is becoming an indispensable player in the global biologics research and development industry. It is very likely that China-developed biologics can make the transition from being fast followers to true innovators in the near future. The biologics outsourcing industry, which has developed along with innovative drug development, is in lock-step and thus is also experiencing a long-term upward trend.

The burgeoning global biologics market continues to spur new partnerships and business expansions for CDMOs. Instead of one-off transactions with clients, CDMOs want to give a full portfolio of offerings to clients and be more strategic in their relationships. On the other hand, biologics startups rely heavily on one-stop service CDMOs' expertise, experience and infrastructure, while big pharmas are also increasingly reaching out to CDMOs for partnerships in order to shed assets and drive down biologics costs.

Boosted by the rapid ascent of the biologics outsourcing market, the Group will continue to maintain its strong growth in rhythm with the global biologics industry. The Group offers end-to-end solutions empowering anyone and any company to discover, develop and manufacture biologics from concept to commercial manufacturing in a cost-effective and time-sensitive manner. With constant investments in its capabilities and capacity, especially the industry-leading ADC center, bispecific antibody technology platform WuXiBody™ and the "Factory of the Future" and the integrated vaccines manufacturing facility in Ireland, the Group will capture more development opportunities in the biologics industry and boost its milestones and royalty revenue streams by attracting additional customers and introducing more biologics into the combination of the "Follow-the-Molecule" strategy and "Global Dual Sourcing within WuXi Bio" paradigm.

Looking into 2020, under the principle of "Striving for Excellence and Executing for Results", we believe that our "WuXi Bio Grit" will empower us to mitigate the impact of COVID-19 outbreak on our business and continue to build our capabilities and capacity, reinforce our technology platforms, and enable our partners. We believe in our efforts and dedication and we envision a — where "every drug can be made and every disease can be treated".

Financial Review

Revenue

The revenue of the Group increased by 57.2% from approximately RMB2,534.5 million for the year ended December 31, 2018 to approximately RMB3,983.7 million for the year ended December 31, 2019. Such an increase was mainly attributable to (i) leading technology platform, best-in-industry timeline and excellent execution track record contributing to more market share and new integrated projects added to our pipeline; (ii) the Group's innovative proprietary technology platforms, including but not limited to the bispecific antibody technology platform WuXiBody™, have been steadily adopted in the industry; and (iii) strong growth in revenue, including milestone revenue generated from the WuXiBody™ platform, as well as milestone revenue generated from projects progressed along the value chain, as a result of the success of the Group's "Follow-the-Molecule" strategy.

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

	Year ended December 31			
	2019		2018	
Revenue	***RMB million***	***%***	*RMB million*	*%*
— North America	**2,137.5**	**53.7%**	1,284.0	50.6%
— PRC	**1,407.6**	**35.3%**	980.0	38.7%
— Europe	**311.5**	**7.8%**	171.7	6.8%
— Rest of the World *(Note)*	**127.1**	**3.2%**	98.8	3.9%
Total	**3,983.7**	**100.0%**	2,534.5	100.0%

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

For the year ended December 31, 2019, the pre-IND services revenue of the Group increased by 24.6% to approximately RMB1,808.4 million, accounting for 45.4% of the total revenue. The post-IND services revenue of the Group showed a rapid increase of 98.6% to approximately RMB2,152.0 million, accounting for 54.0% of the total revenue, as a result of more projects progressing from pre-IND to subsequent stages such as early-phase and late-phase stages by implementing the "Follow-the-Molecule" strategy.

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

	Year ended December 31			
	2019		2018	
	RMB million	***%***	*RMB million*	*%*
Pre-IND services	**1,808.4**	**45.4%**	1,451.0	57.2%
Post-IND services	**2,152.0**	**54.0%**	1,083.5	42.8%
Others	**23.3**	**0.6%**	—	—
Total	**3,983.7**	**100.0%**	2,534.5	100.0%

The top 5 customers' revenue increased by 57.6% from approximately RMB796.6 million for the year ended December 31, 2018 to approximately RMB1,255.7 million for the year ended December 31, 2019, accounting for 31.5% of the total revenue for the year ended December 31, 2019, as compared to 31.4% for the year ended December 31, 2018.

The top 10 customers' revenue increased by 65.6% from approximately RMB1,193.1 million for the year ended December 31, 2018 to approximately RMB1,976.3 million for the year ended December 31, 2019, accounting for 49.6% of the total revenue for the year ended December 31, 2019, as compared to 47.1 % for the year ended December 31, 2018.

Cost of Services

The cost of services of the Group increased by 53.3% from approximately RMB1,516.7 million for the year ended December 31, 2018 to approximately RMB2,324.9 million for the year ended December 31, 2019. The increase of the cost of services was in line with the Group's business growth.

Gross Profit and Gross Profit Margin

The gross profit of the Group increased by 63.0% from approximately RMB1,017.8 million for the year ended December 31, 2018 to approximately RMB1,658.8 million for the year ended December 31, 2019. The Group's gross profit margin increased from 40.2% for the year ended December 31, 2018 to 41.6% for the year ended December 31, 2019. The increase in the gross profit margin was primarily attributable to (i) the Group's strong business growth, along with the rapid increase in the number of integrated projects; (ii) significant improvement on capacity utilization of MFG3, which commenced production in the second half of 2018; (iii) more milestone revenue with relatively high gross margin earned during the Reporting Period; (iv) favorable impact from U.S. dollar appreciated against Renminbi in the year of 2019; and (v) significant improvement of operational efficiency, which was partially offset by the ramp-up of new sites that commenced production in the second half of 2019.

Other Income

The other income of the Group decreased by 7.4% from approximately RMB194.2 million for the year ended December 31, 2018 to approximately RMB179.9 million for the year ended December 31, 2019, primarily due to (i) the decrease of the bank interest income received; and (ii) the decrease of the government grants recognized in profit and loss, which was partially offset by (iii) a gain on non-refundable purchase option fee amounting to US$2.0 million (equivalent to approximately RMB13.8 million) which was recognized, after the Group acknowledged receipt of a termination notice to an option to purchase certain of its biologics manufacturing facilities from an independent third party; and (iv) an increase in the interest income arising from the financial products invested.

Impairment Losses, Net of Reversal

Impairment losses, net of reversal of the Group, decreased by 87.8% from approximately RMB55.9 million for the year ended December 31, 2018 to approximately RMB6.8 million for year ended December 31, 2019, as a result of management's enhanced credit control throughout the year.

Other Gains and Losses

The amount of the net other gains of the Group was approximately RMB21.5 million for the year ended December 31, 2019, representing a slightly increase of 1.9% as compared to approximately RMB21.1 million for the year ended December 31, 2018.

Selling and Marketing Expenses

The selling and marketing expenses of the Group increased by 81.8% from approximately RMB42.4 million for the year ended December 31, 2018 to approximately RMB77.1 million for the year ended December 31, 2019, mainly due to continuous investments in the capability enhancement of business development by attracting and recruiting experienced talent globally. The proportion of the selling and marketing expenses to the Group's total revenue was 1.9% for the year ended December 31, 2019, being relatively stable as compared to 1.7% for the year ended December 31, 2018.

Administrative Expenses

The Group's administrative expenses increased by 61.3% from approximately RMB227.7 million for the year ended December 31, 2018 to approximately RMB367.3 million for the year ended December 31, 2019, primarily due to (i) workforce expansion to support the Group's rapid business growth throughout the world and long term development strategy; (ii) an increase in depreciation expenses, along with the Group's business expansion; and (iii) an increase in office administrative costs, etc., in line with the Group's business growth and headcount growth.

Research and Development Expenses

The research and development expenses of the Group increased by 53.4% from approximately RMB169.3 million for the year ended December 31, 2018 to approximately RMB259.7 million for the year ended December 31, 2019, as a result of our enhanced investment in innovation and technologies to intensify the Group's core competitiveness in the evolving industry.

Finance Costs

Finance costs mainly include (i) interest expense on lease liabilities upon application of IFRS 16 Lease effective from January 1, 2019; and (ii) interest expense on bank borrowings, as the Group has borrowed bank loans, which strengthened the Group's financial capability in the second half of 2019.

Income Tax Expense

The income tax expense of the Group increased by 8.4% from approximately RMB107.3 million for the year ended December 31, 2018 to approximately RMB116.3 million for the year ended December 31, 2019, as a result of the Group's business growth. The effective income tax rate decreased from approximately 14.5% for the year ended December 31, 2018 to approximately 10.3% for the year ended December 31, 2019, primarily due to (i) more additional-tax-deductible research and development expenses recognized during the Reporting Period; and (ii) one-time tax refund received during the Reporting Period.

Net Profit and Net Profit Margin

As a result of the foregoing, the net profit of the Group increased by 60.2% from approximately RMB630.5 million for the year ended December 31, 2018 to approximately RMB1,010.3 million for the year ended December 31, 2019. The net profit margin of the Group for the year ended December 31, 2019 was 25.4%, as compared to 24.9% for the year ended December 31, 2018. The increase in net profit margin was primarily due to (i) the Group's steady increase in the number of integrated projects and as a result, strong growth in revenue; and (ii) solid cost control and improvement of operational efficiency, which was partially offset by the increase of administrative expenses that is in line with the Group's business growth.

The adjusted net profit[1] of the Group increased by 60.3% from approximately RMB751.5 million for the year ended December 31, 2018 to approximately RMB1,205.0 million for the year ended December 31, 2019. The adjusted net profit margin of the Group for the year ended December 31, 2019 was 30.2%, representing a slight increase as compared to 29.7% for the year ended December 31, 2018. The expansion of adjusted net profit margin followed the same set of reasons as discussed above.

EBITDA

The EBITDA[2] of the Group increased by 53.5% from approximately RMB962.1 million for the year ended December 31, 2018 to approximately RMB1,476.4 million for the year ended December 31, 2019. The EBITDA margin of the Group for the year ended December 31, 2019 was 37.1%, keeping quite stable as compared to 38.0% for the year ended December 31, 2018.

The adjusted EBITDA[3] of the Group increased by 54.3% from approximately RMB1,083.1 million for the year ended December 31, 2018 to approximately RMB1,671.1 million for the year ended December 31, 2019. The adjusted EBITDA margin of the Group for the year ended December 31, 2019 was 41.9%, quite stable as compared to 42.7% for the year ended December 31, 2018.

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1 The adjusted net profit is calculated as net profit for the Reporting Period, excluding share-based compensations and foreign exchange gains or losses to better reflect the Group's current business and operations.

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

3 The adjusted EBITDA is calculated as net profit for the Reporting Period, excluding (i) interest expenses, income tax expenses; (ii) certain non-cash expenses, consisting of share-based compensations, amortization and depreciation; and (iii) foreign exchange gains or losses to better reflect the Group's current business and operations.

Basic and Diluted Earnings Per Share

The basic earnings per share of the Group increased by 57.7% from RMB0.52 for the year ended December 31, 2018 to RMB0.82 for the year ended December 31, 2019. The diluted earnings per share of the Group increased by 58.3% from RMB0.48 for the year ended December 31, 2018 to RMB0.76 for the year ended December 31, 2019. The increase in the basic and diluted earnings per share was primarily due to the increase in the net profit resulting from the strong business growth of the Group.

The adjusted basic earnings per share for the year ended December 31, 2019 amounted to RMB0.98, representing an increase of 58.1% as compared with that of RMB0.62 for the year ended December 31, 2018. The adjusted diluted earnings per share of the Group for the year ended December 31, 2019 amounted to RMB0.91, representing an increase of 59.6% as compared with that of RMB0.57 for the year ended December 31, 2018. The increase in the adjusted basic and diluted earnings per share was primarily due to the increase in the adjusted net profit as discussed above.

Property, Plant and Equipment

The balance of the property, plant and equipment of the Group increased by 118.3% from approximately RMB2,903.9 million as at December 31, 2018 to approximately RMB6,338.5 million as at December 31, 2019, primarily as a result of the expansion of research, development and manufacturing capacities in China and overseas, following the Group's "Global Dual Sourcing within WuXi Bio" manufacturing paradigm.

Right-of-Use Assets/Prepaid Lease Payments

As a result of the application of IFRS 16 Leases, distinctions of operating leases and finance leases are removed for lessee accounting and replaced by a model where a right-of-use asset and a corresponding liability have to be recognized for all leases by lessees, except for short-term leases and leases of low value assets. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. As at December 31, 2019, the carrying amount of right-of-use assets was approximately RMB457.9 million.

Upfront payments for leasehold lands were classified as prepaid lease payments as at December 31, 2018. Upon application of IFRS 16, the current and non-current portion of prepaid lease payments amounting to approximately RMB2.9 million and approximately RMB168.6 million respectively were reclassified to right-of-use assets.

Goodwill

In 2019, the Group entered into agreements to acquire 50.1% equity interests of Pinghu U-Pure Biosciences Co., Ltd. ("**U-Pure**") and BestChrom (Shanghai) Biosciences Co., Ltd. ("**BestChrom**"), two affiliated companies registered in China, with a cash consideration of approximately RMB300.6 million. U-Pure and BestChrom primarily engage in production and sale of biologics purification medium and chromatographic column.

This acquisition has been accounted for using the acquisition method. Goodwill arising as a result of the acquisition amounted to approximately RMB185.4 million. For the year ended December 31, 2019, management of the Group determined that there was no impairment for this goodwill.

Intangible Assets

The intangible assets of the Group increased by 25.3% from approximately RMB331.8 million as at December 31, 2018 to approximately RMB415.8 million as at December 31, 2019, mainly due to the addition of technology and customer relationship recognized during the acquisition of subsidiaries, U-Pure and BestChrom, which was partially offset by the amortization of intangible assets during the Reporting Period.

Investment in an Associate/Share of Loss of an Associate

In April 2019, the Group acquired 9.32% of the equity interest in Shanghai Duoning Biotechnology Co., Ltd. ("**Duoning**") for a total purchase price of US$5.0 million (equivalent to approximately RMB33.8 million). In December 2019, other investors further invested in Duoning and the Group's equity interest was diluted to 8.13%. Duoning focuses on the sales of serum-free media and disposable products, formulation production and services.

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. The results and assets and liabilities of associates are incorporated into the Group's consolidated financial statements using the equity method of accounting.

The Group is able to exercise significant influence over Duoning because it has the power to appoint one out of the five directors of Duoning under the Articles of Association of Duoning.

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

Equity instruments at FVTOCI of the Group amounted to approximately RMB138.8 million as at December 31, 2019, representing a slight increase of 1.6% as compared to approximately RMB136.6 million as at December 31, 2018, mainly due to the exchange alignment of USD in which the equity instruments were denominated.

Equity instruments at FVTOCI mainly include 19.9% of the equity interests of Tysana Pte. Ltd. ("**Tysana**") and Privus Biologics, LLC ("**Privus**") respectively, which were subscribed by the Group in the year of 2018. No additional investment was incurred during the Reporting Period.

Financial Assets at Fair Value Through Profit or Loss ("FVTPL") (Current Portion & Non-current Portion)/Other Financial Assets

The other financial assets of the Group represented the financial products invested in certain banks, of which the principals were guaranteed and interest rates were fixed. These financial products were recognized as other financial assets at amortized costs. As of December 31, 2019, the amount of these financial products was approximately RMB458.0 million and the interest rates ranged from 3.2% to 3.8% per annum (as at December 31, 2018: nil).

The financial assets at FVTPL in the current assets of the Group represented the financial products invested in banks, most of which were principal guaranteed. As at December 31, 2019, the fair value of these financial products were approximately RMB85.0 million and the expected return rates varied from 3.15% to 3.5% per annum (as at December 31, 2018: nil).

The financial assets at FVTPL in the non-current assets of the Group increased by 407.2% from approximately RMB55.7 million as at December 31, 2018 to approximately RMB282.5 million as at December 31, 2019, mainly due to several new investments of unlisted shares during the Reporting Period, including: (i) 1,719,197 Series Mezzanine 2 Preferred Shares of Inhibrx, Inc. ("**Inhibrx**") for a cash consideration of US$12.0 million (equivalent to approximately RMB82.2 million) in January 2019 (for the year ended December 31, 2018: 429,799 shares with a cash consideration of US$3.0 million); (ii) 481,454 Series C-3 Preferred Shares of CANBridge Pharmaceuticals Inc. ("**Canbridge**") for a cash consideration of US$5.0 million (equivalent to approximately RMB33.7 million) in January 2019 (for the year ended December 31, 2018: 481,454 Series C-1 Preferred Shares with a cash consideration of US$5.0 million); (iii) 2,856,055 Series A Preferred Shares of Virtuoso Therapeutics, Inc. ("**Virtuoso**") for a cash consideration of approximately US$1.9 million (equivalent to approximately RMB12.6 million) in March 2019; (iv) 1,428,571 Series C-1 Preferred Shares of I-Mab for a cash consideration of US$10.0 million (equivalent to approximately RMB68.7 million) in July 2019; and (v) aggregate US$3.0 million (equivalent to approximately RMB21.2 million) investment in BB Pureos Bioventures, LP ("**BB Pureos**"), as a limited partnership and strategic investor in the second half of 2019.

The Group managed and evaluated the unlisted investment purchased on a fair value basis in accordance with the Group's investment strategy. For the year ended December 31, 2019, the fair value change of the above unlisted investment recognized included (i) gain on fair value change of approximately RMB6.5 million (for the year ended December 31, 2018: RMB0.8 million) from Canbridge; and (ii) loss on fair value change of approximately RMB3.0 million from BB Pureos.

Inventories

The inventories of the Group increased by 75.8% from approximately RMB227.2 million as at December 31, 2018 to approximately RMB399.4 million as at December 31, 2019, due in large part to (i) the Group's business growth; and (ii) the consolidation of U-Pure and BestChrom. Along with the Group's increased number of ongoing integrated projects, the Group is required to reserve a higher inventory level for safe service provision.

Contract Costs

The contract costs of the Group decreased by 3.5% from approximately RMB294.6 million as at December 31, 2018 to approximately RMB284.2 million as at December 31, 2019, primarily due to (i) the higher production turnover along with the improvement of capacity utilization; and (ii) more write-down of contract costs provided in a more prudent way.

Trade and Other Receivables

The trade and other receivables of the Group increased by 62.7% from approximately RMB1,067.2 million as at December 31, 2018 to approximately RMB1,736.7 million as at December 31, 2019, primarily due to the increases in trade receivables and value added tax recoverable, as a result of the Group's business growth.

Contract Assets

The contract assets of the Group increased by 11.1% from approximately RMB36.0 million as at December 31, 2018 to approximately RMB40.0 million as at December 31, 2019, in line with the Group's revenue growth, which was partially offset by transfer to trade receivables when projects have achieved the milestones as stipulated in the contract.

Trade and Other Payables

The trade and other payables of the Group increased by 159.0% from approximately RMB711.8 million as at December 31, 2018 to approximately RMB1,843.7 million as at December 31, 2019, primarily due to (i) the receipt of advance amounting to US$55.0 million (equivalent to approximately RMB390.l million) as the Group reached a cooperation intention with an independent global vaccine leader to enter into a vaccine manufacturing agreement; (ii) an increase in payable for purchase of property, plant and equipment along with the Group's continuous investment in its laboratory and manufacturing capacities around the world; (iii) an increase in other payables and accrual along with the Group's business expansion; and (iv) an increase in salary and bonus payables in line with the Group's workforce growth.

Contract Liabilities

The contract liabilities of the Group decreased by 32.7% from approximately RMB499.7 million as at December 31, 2018 to approximately RMB336.4 million as at December 31, 2019, primarily because more projects have been carried forward along with the contracts during the Reporting Period.

Lease Liabilities (Current Portion & Non-current Portion)

As a result of the application of IFRS 16 Leases effective from January 1, 2019, the lease liability is initially measured at the present value of lease payments that are unpaid at that date. After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

Liquidity and Capital Resources

The Group's bank balances and cash amounted to approximately RMB6,205.5 million as at December 31, 2019, as compared to approximately RMB4,084.4 million as at December 31, 2018, as a result of (i) the receipt of placement proceeds of approximately RMB3,512.2 million in November 2019; (ii) the net proceeds (after deducting repayment) of bank borrowings amounting to approximately RMB1,909.8 million in total in the second half of 2019; and (iii) cash provided by operating activities, which was partially offset by payment for the purchase of property, plant and equipment and other non-current assets.

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

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

Significant Investments, Material Acquisitions and Disposals

As at December 31, 2019, there were no significant investment held by the Company, nor were there any material acquisitions or disposals of subsidiaries, associates and joint ventures during the Reporting Period.

Indebtedness

Borrowings

As at December 31, 2019, the Group had aggregated borrowings of approximately RMB1,901.3 million. Fixed rate borrowings amounting to approximately RMB280.0 million were denominated in RMB with the effective interest rate ranging from 3.70% to 3.92% per annum; floating interest rate borrowings amounting to approximately RMB1,409.2 million were denominated in USD with the effective interest rate ranging from 3.01% to 3.33% per annum; and floating interest rate borrowings amounting to approximately RMB212.1 million were denominated in EUR with the effective interest rate around 1.50% per annum, respectively.

Of the total borrowings, approximately RMB506.1 million will be due within one year; approximately RMB139.5 million will be due in more than one year but within two year; and approximately RMB1,255.7 million will be due after two years but within five years.

As at December 31, 2019, all borrowings were unsecured.

Contingent Liabilities and Guarantees

As at December 31, 2019, the Group did not have any material contingent liabilities or guarantees.

Currency Risk

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

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

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

Charges of Assets

As at December 31, 2019, the Group pledged bank deposits with approximately RMB431.6 million in total, which increased by 1,612.7% from approximately RMB25.2 million as at December 31, 2018, primarily due to (i) more bank deposits pledged as collateral for the banks to issue the letter of credit for the Group's imported raw materials and equipment, along with the growth of the Group's business; and (ii) bank deposits amounting to EUR50.0 million (equivalent to approximately RMB390.8 million) pledged as collateral for the facility construction in Ireland.

Gearing Ratio

Gearing ratio is calculated using interest-bearing borrowings divided by total equity and multiplied by 100%. As at December 31, 2019, gearing ratio was 14.7%.

Employees and Remuneration Policies

As at December 31, 2019, the Group employed a workforce totaling 5,666 employees: 2,477 were located in Shanghai; 2,719 were located in Wuxi, Jiangsu Province; 258 were located in Suzhou, Jiangsu Province; 17 were located in Shijiazhuang, Hebei Province; 68 were located in Hangzhou, Zhejiang Province; 5 were located in Chengdu, Sichuan Province and 122 were located overseas. The staff costs, including Directors' emoluments but excluding any contributions to retirement benefit scheme contributions and share-based payment expenses, were approximately RMB1,078.8 million for the year ended December 31, 2019, as compared to approximately RMB690.3 million for the year ended December 31, 2018. 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 the social insurance fund, including basic pension insurance, medical insurance, unemployment insurance, childbirth insurance, work-related injury insurance funds, and housing reserve fund as applicable to the countries where the Group operates.

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

In addition, the Group has an effective training system for its employees, including orientation and continuous on-the-job training, to accelerate the learning progress and improve the knowledge and skill levels of its workforce. The orientation process covers subjects, such as corporate culture and policies, work ethics, introduction to the biologics development process, quality management, and occupational safety, and 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 remuneration of the Directors and senior management is reviewed by the Remuneration Committee and approved by the Board. The relevant experience, duties and responsibilities, time commitment, working performance and prevailing market conditions are taken into consideration in determining the emoluments of the Directors and senior management.

Final Dividend

The Board does not recommend any payment of final dividends for the year ended December 31, 2019.

OTHER INFORMATION

AGM and Closure of Register of Members

The AGM of the Company will be held on June 9, 2020. A notice convening the AGM would be published and dispatched to the Shareholders in due course in accordance with the requirements of the Listing Rules.

For determining the qualification as members of the Company to attend and vote at the AGM, the register of members of the Company will be closed from June 4, 2020 to June 9, 2020, both dates inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the AGM, non-registered holders of Shares shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on June 3, 2020.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board 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 Board is of the view that the Company has complied with all applicable code provisions of the CG Code throughout the Reporting Period. 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. Save for the dealings of 5,500 Shares by Mr. William Robert Keller, an independent non-executive Director, during the black-out period out of an inadvertent oversight, which has been disclosed under the section headed "Compliance with the Model Code for Securities Transactions" in the Company's interim results announcement dated August 19, 2019, having made specific enquiry of all Directors, all of them have confirmed that they have complied with the Model Code and the Written Guidelines throughout the Reporting Period. No incident of non-compliance of the Guidelines for Securities Transactions by Employees (員工證券交易管理辦法) by the employees who are likely to be in possession of inside information of the Company was noted by the Company.

USE OF PROCEEDS FROM LISTING

The total proceeds from the issue of new Shares by the Company in its Listing (after deducting the underwriting fees and related expenses) amounted to approximately RMB3,437.8 million[(1)]. The net proceeds from the Listing (adjusted on a pro rata basis based on the actual net proceeds) have been fully utilized in accordance with the purposes set out in the Prospectus by the end of December 2019.

The below table sets out the planned applications of the net proceeds and actual usage up to December 31, 2019:

Use of proceeds	Planned applications *(RMB million)*	Percentage of total net proceeds	Actual usage up to December 31, 2019 *(RMB million)*	Net proceeds brought forward for the Reporting Period *(RMB million)*	Unutilized net proceeds as at December 31, 2019 *(RMB million)*
To repay all of the Group's outstanding bank facilities	1,238.6	37%	1,238.6	—	—
To construct new facilities and existing facility improvement and maintenance	1,739.7	52%	1,739.7	561.0	—
For the Group's working capital and other general corporate purposes	275.9	8%	275.9	180.9	—
To improve and maintain the Group's existing facilities	113. 7	3%	113. 7	—	—
Total	3,367.9[(1)]	100%	3,367.9	741. 9	—

Note:

(1) It included approximately RMB69.9 million which forms part of the Listing expenses payable settled after the receipt of IPO proceeds. By excluding this portion, the net proceeds planned for applications amount to approximately RMB3,367.9 million.

USE OF PROCEEDS FROM PLACING

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

The net proceeds from the First Placing were approximately RMB3,186.7 million, which have been and will be used for the future expansion of the Group, including the capital requirements to increase its laboratory and manufacturing capacity, as disclosed in the announcement of the Company dated March 22, 2018. The table below sets out the planned applications of the net proceeds and actual usage up to December 31, 2019:

Use of proceeds	**Planned applications** *(RMB million)*	**Percentage of total net proceeds**	**Actual usage up to December 31, 2019** *(RMB million)*	**Net proceeds brought forward for the Reporting Period** *(RMB million)*	**Unutilized net proceeds as at December 31, 2019** *(RMB million)*	**Expected timeframe for utilizing the remaining unutilized net proceeds**[(1)]
To construct new facilities and existing facility improvement and maintenance	3,186.7	100%	1,494.5	2,776.9	1,692.2	By the end of 2020

Note:

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

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

The net proceeds from the Second Placing were approximately RMB3,512.2 million, which have been and will be used for the future expansion of the Group, including the capital requirements to support its development of vaccines and microbial based products as well as continuous global capacity expansion, as disclosed in the announcement of the Company dated November 1, 2019. The table below sets out the planned applications of the net proceeds and actual usage up to December 31, 2019:

Use of proceeds	Planned applications *(RMB million)*	Percentage of total net proceeds	Actual usage up to December 31, 2019 *(RMB million)*	Net proceeds brought forward for the Reporting Period *(RMB million)*	Unutilized net proceeds as at December 31, 2019 *(RMB million)*	Expected timeframe for utilizing the remaining unutilized net proceeds[(1)]
To support its development of vaccines and microbial based products as well as continuous global capacity expansion	3,512.2	100%	—	—	3,512.2	By the end of 2022

Note:

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

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

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

REVIEW OF ANNUAL RESULTS

The Audit Committee comprises two independent non-executive Directors, namely, Mr. Teh-Ming Walter Kwauk and Mr. William Robert Keller, and a non-executive Director, Mr. Edward Hu. The chairman of the Audit Committee is Mr. Teh-Ming Walter Kwauk.

The independent auditors of the Company, namely Messrs. Deloitte Touche Tohmatsu, have carried out a review of the annual financial information, which is based on the audited consolidated financial statements of the Group for the year ended December 31, 2019. 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 annual results for the year ended December 31, 2019) of the Group. The Audit Committee and the independent auditors considered that the annual results are in compliance with the applicable accounting standards, laws and regulations, and the Company has made appropriate disclosures thereof.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended December 31, 2019 as set out in this announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this announcement.

EVENTS AFTER THE REPORTING PERIOD

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

- Since January 2020, the COVID-19 pandemic has posed significant risks to public health and the global economy. In response to the outbreak, the Group immediately activated its Business Continuity Plan (BCP) — a comprehensive contingency plan covering R&D, manufacturing, logistics, workplace safety, employee health monitoring and customer communications — to minimize the impact on operations, business development and employee safety. In addition, the Group mobilized a large R&D team of more than 240 scientists in cooperation with global companies seeking to develop a potential treatment.

  The Group expects that operations in China will assume even greater responsibilities than usual for keeping the R&D and manufacturing engine humming and supporting global clients to work from home and strive to achieve their project milestones. Looking ahead, the Group expects to explore more opportunities to expand clinic manufacturing capabilities and capacities in the U.S., via both acquisitions and new site build-outs to meet global customers' future supply chain needs.

- In January 2020, WuXi Biologics Germany GmbH ("**WuXi Biologics Germany**"), an indirect wholly owned subsidiary of the Company, has entered into an asset purchase agreement with Bayer Aktiengesellschaft ("**Bayer**"), a publicly limited company incorporated in Germany, pursuant to which WuXi Biologics Germany will purchase from Bayer certain facility assets of the biologics drug product cGMP fill and finish manufacturing plant located in Leverkusen, Germany, so as to continue the Group's capacity expansion to further capture the growing global demand for biologics manufacturing. For more details, please refer to the Company's announcements dated January 16, 2020 and January 20, 2020.

- In February 2020, WuXi Vaccines entered into a master contract manufacturing agreement for vaccine products with the Vaccine Partner, pursuant to which WuXi Vaccines shall build an integrated vaccine manufacturing facility, including drug substance and drug product manufacturing as well as quality control labs in Ireland, and manufacture for, and supply to, the Vaccine Partner certain vaccine products for an initial term commencing from February 14, 2020 to December 31, 2039, subject to an option to renew for successive three years by the Vaccine Partner, with a total contract value of up to approximately US$3 billion. For more details, please refer to the Company's announcement dated February 18, 2020.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.wuxibiologics.com). The annual report for the year ended December 31, 2019 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.

RESULTS

The Board of Directors of the Company is pleased to announce the consolidated statement of profit or loss and other comprehensive income of the Group for the year ended December 31, 2019 and the Group's consolidated statement of financial position as at December 31, 2019, together with the comparative figures for corresponding period in 2018 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2019

	NOTES	**2019** ***RMB'000***	2018 *RMB'000*
Revenue	4	**3,983,687**	2,534,453
Cost of services		**(2,324,858)**	(1,516,698)
Gross profit		**1,658,829**	1,017,755
Other income	5	**179,869**	194,217
Impairment losses, net of reversal		**(6,842)**	(55,940)
Other gains and losses	6	**21,520**	21,128
Selling and marketing expenses		**(77,080)**	(42,430)
Administrative expenses		**(367,288)**	(227,721)
Research and development expenses		**(259,651)**	(169,287)
Share of loss of an associate		**(3,119)**	—
Finance costs	7	**(19,605)**	—
Profit before tax		**1,126,633**	737,722
Income tax expense	9	**(116,296)**	(107,257)
Profit for the year		**1,010,337**	630,465
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(2,628)**	102
Fair value gain on hedging instruments designated in cash flow hedges		**3,419**	11,701
Other comprehensive income for the year		**791**	11,803
Total comprehensive income for the year		**1,011,128**	642,268

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2019

	NOTES	**2019** ***RMB'000***	2018 *RMB'000*
Profit for the year attributable to:			
Owners of the Company		**1,013,805**	630,592
Non-controlling interests		**(3,468)**	(127)
		1,010,337	630,465
Total comprehensive income for the year attributable to:			
Owners of the Company		**1,014,596**	642,395
Non-controlling interests		**(3,468)**	(127)
		1,011,128	642,268
		RMB	*RMB*
Earnings per share — Basic	10	**0.82**	0.52
— Diluted	10	**0.76**	0.48

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2019

	NOTES	**2019** ***RMB'000***	2018 *RMB'000*
Non-current assets			
Property, plant and equipment		**6,338,457**	2,903,900
Right-of-use assets		**457,930**	—
Prepaid lease payments		**—**	168,623
Goodwill	11	**185,408**	—
Intangible assets	13	**415,845**	331,813
Investment in an associate	12	**30,857**	—
Equity instruments at fair value through other comprehensive income ("**FVTOCI**")	14	**138,826**	136,578
Financial assets at fair value through profit or loss ("**FVTPL**")	15A	**282,479**	55,699
Derivative financial assets		**—**	9,847
Deferred tax assets		**36,043**	22,481
Other long-term deposits and prepayments		**44,568**	19,021
		7,930,413	3,647,962
Current assets			
Inventories		**399,389**	227,189
Trade and other receivables	16	**1,736,659**	1,067,235
Contract assets	17	**39,981**	36,026
Contract costs		**284,235**	294,569
Prepaid lease payments		**—**	2,910
Tax recoverable		**10**	793
Derivative financial assets		**31,446**	6,874
Financial assets at FVTPL	15A	**85,000**	—
Other financial assets	15B	**458,000**	—
Pledged bank deposits	18	**431,640**	25,197
Bank balances and cash	18	**6,205,496**	4,084,395
		9,671,856	5,745,188

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2019

	NOTES	**2019** ***RMB'000***	2018 *RMB'000*
Current liabilities			
Trade and other payables	19	**1,843,652**	711,779
Borrowings	21	**506,107**	—
Contract liabilities	20	**336,395**	499,743
Income tax payable		**142,149**	88,244
Lease liabilities		**26,489**	—
Derivative financial liabilities		**16,406**	18,991
		2,871,198	1,318,757
Net current assets		**6,800,658**	4,426,431
Total assets less current liabilities		**14,731,071**	8,074,393
Non-current liabilities			
Deferred tax liabilities		**24,734**	2,680
Borrowings	21	**1,395,240**	—
Lease liabilities		**266,112**	—
Derivative financial liabilities		**—**	77
Deferred income		**148,885**	77,408
		1,834,971	80,165
Net assets		**12,896,100**	7,994,228
Capital and reserves			
Share capital	23	**214**	202
Reserves		**12,784,149**	7,993,553
Equity attributable to owners of the Company		**12,784,363**	7,993,755
Non-controlling interests		**111,737**	473
Total equity		**12,896,100**	7,994,228

1. GENERAL INFORMATION

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

As at the date of issuance of these consolidated financial statements, 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 ultimately controlled by Dr. Ge Li ("**Dr. Li**"); Dr. Ning Zhao, the spouse of Dr. Li; Mr. Xiaozhong Liu and Mr. Zhaohui Zhang who are all acting in concert (collectively known as "**Controlling Shareholders**").

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

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

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

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

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

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

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

When recognizing the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The incremental borrowing rates applied ranged from 4.75% to 4.90% per annum.

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

	Carrying amounts previously reported at December 31, 2018 *RMB'000*	**Adjustments** *RMB'000*	**Carrying amounts under IFRS 16 at January 1, 2019** *RMB'000*
Non-current Assets			
Prepaid lease payments	168,623	(168,623)	—
Right-of-use assets	—	384,354	384,354
Other long-term deposits	19,021	(2,392)	16,629
Plant and equipment	2,903,900	267	2,904,167
Deferred tax assets	22,481	2,746	25,227
Current Assets			
Prepaid lease payments	2,910	(2,910)	—
Contract costs	294,569	(704)	293,865
Capital and Reserves			
Reserves	7,993,553	(2,899)	7,990,654
Current Liabilities			
Trade and other payables	711,779	(13,453)	698,326
Lease liabilities	—	26,524	26,524
Non-current liabilities			
Lease liabilities	—	202,566	202,566

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board ("**IASB**"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**") and by the Hong Kong Companies Ordinance.

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

4. REVENUE

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

Geographical information

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

	2019	2018
	RMB'000	*RMB'000*
Revenue		
— North America	**2,137,515**	1,283,935
— PRC	**1,407,617**	980,024
— Europe	**311,457**	171,664
— Rest of the world	**127,098**	98,830
	3,983,687	2,534,453

As at December 31, 2019, the Group's non-current assets located in Ireland amount to RMB2,088,621,000 (2018: RMB549,426,000), the remaining of the non-current assets are primarily located in the PRC.

Information about major customers

Revenue from customers contributing over 10% of the total revenue of the Group are as follows:

	2019	2018
	RMB'000	*RMB'000*
Customer A	**N/A***	281,281

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

5. OTHER INCOME

	2019	2018
	RMB'000	*RMB'000*
Bank interest income	**55,129**	78,394
Interest income from other financial assets	**8,727**	—
Government grants related to		
— Assets *(Note i)*	**10,137**	2,845
— Income *(Note ii)*	**92,112**	112,978
Gain on non-refundable option fee *(Note 19)*	**13,764**	—
	179,869	194,217

Notes:

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

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

6. OTHER GAINS AND LOSSES

	2019	2018
	RMB'000	*RMB'000*
Net foreign exchange (loss) gain	**(5,967)**	101,224
Gain (loss) on derivative financial instruments	**14,047**	(93,942)
Fair value gain on financial assets at FVTPL	**3,515**	796
Investment income from financial assets at FVTPL	**11,896**	10,374
Others	**(1,971)**	2,676
	21,520	21,128

7. FINANCE COSTS

	2019	2018
	RMB'000	*RMB'000*
Interest expense on bank borrowing	**12,427**	—
Interest expense on lease liabilities	**12,534**	—
Less: amounts capitalized in the cost of qualifying assets	**(5,356)**	—
	19,605	—

Borrowing costs capitalized during the year arose on the specific borrowings with interest rate of 1.5% and 3.33% per annum to expenditure on qualifying assets, respectively.

8. PROFIT BEFORE TAX

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

	2019	2018
	RMB'000	*RMB'000*
Depreciation for property, plant and equipment	**280,245**	212,143
Less: capitalized in contract costs	**(107,698)**	(80,580)
	172,547	131,563
Depreciation for right-of-use assets	**34,892**	—
Less: capitalized in contract costs	**(1,131)**	—
capitalized in property, plant and equipment	**(5,757)**	—
	28,004	—
Staff cost (including directors' emoluments):		
— Salaries and other benefits	**1,075,774**	688,228
— Retirement benefit scheme contributions	**100,515**	67,806
— Retention bonus	**3,012**	2,113
— Share-based payment expenses	**203,938**	128,374
	1,383,239	886,521
Less: capitalized in contract costs	**(323,226)**	(264,353)
capitalized in property, plant and equipment	**(137,203)**	(41,883)
	922,810	580,285
Impairment losses, net of reversal		
— Trade receivables	**5,005**	60,275
— Contract assets	**1,714**	(4,331)
— Receivables for purchase of raw materials on behalf of customers	**123**	(4)
	6,842	55,940
Amortization of intangible assets	**20,814**	9,969
Release of prepaid lease payments	**—**	2,238
Auditors' remuneration	**4,996**	4,591
Write down of inventories (included in cost of services)	**3,561**	4,041
Write down of contract costs (included in cost of services)	**6,897**	2,475
Loss on disposal of property, plant and equipment	**1,437**	1,215
Cost of inventories recognized as an expense	**728,042**	449,306

9. INCOME TAX EXPENSE

	2019	2018
	RMB'000	*RMB'000*
Current tax:		
— the PRC Enterprise Income Tax ("**EIT**")	**174,591**	133,011
— Hong Kong profits tax	**11,782**	—
— the US Federal and State Income taxes	**522**	1,018
— the UK Income taxes	**4**	218
Over provision in prior years:		
— EIT	**(54,440)**	(8,098)
	132,459	126,149
Deferred tax:		
— current year	**(16,163)**	(18,892)
	116,296	107,257

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

On March 21, 2018, the Hong Kong Legislative Council passed the Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on March 28, 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of the group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

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

WuXi Co. was accredited as a "High and New Technology Enterprise" on August 5, 2013. In 2016, WuXi Co. 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 year of 2016. During the year ended December 31, 2019, WuXi Co. applied for renewal, and was subsequently granted the approval from the relevant government authority, as an accredited High and New Technology Enterprise. Accordingly, the estimated tax rate for WuXi Co. for the year ended December 31, 2019 is 15% (2018: 15%).

Shanghai Biologics was accredited as a "High and New Technology Enterprise" in November 2016 and therefore is entitled to an EIT exemption in 2016 followed by three years of 50% tax reduction from 2017 to 2019. Accordingly, the applicable EIT rate of Shanghai Biologics for the year ended December 31, 2019 is 12.5% (2018: 12.5%). On October 28, 2019, Shanghai Biologies 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 year of 2020.

Suzhou Biologics was accredited as a "High and New Technology Enterprise" on December 12, 2018 and it is entitled to a preferential tax rate of 15% for a three-year period commencing from the year of 2018. Accordingly, the applicable EIT rate of Suzhou Biologics for the year ended December 31, 2019 is 15% (2018: 15%).

U-Pure was accredited as a "High and New Technology Entereprise" on November 21, 2016. In 2019, U-Pure renewed its High and New Technology Enterprise status, which has been approved by relevant government authorities and it is entitled to a preferential tax rate of 15% for a three-year period commencing from the year of 2019.

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

	2019	2018
	RMB'000	*RMB'000*
Profit before tax	**1,126,633**	737,722
Tax charge at the EIT rate of 25%	**281,658**	184,431
Tax effect of income that is exempt from taxation	**(10,191)**	(39,214)
Tax effect of expenses not deductible for tax purpose	**49,847**	31,065
Over provision in respect of prior years	**(54,440)**	(8,098)
Effect of research and development expenses that are additionally deducted	**(45,525)**	—
Effect of unused tax losses not recognized as deferred tax assets	**8,793**	9,023
Effect of previously unrecognized and unused temporary now recognized as deferred assets	**—**	(548)
Utilization of tax losses previously not recognized as deferred tax assets	**(1,872)**	(1,477)
Tax at concessionary rate	**(103,397)**	(64,396)
Effect of different EIT rate applied to deferred tax and current tax	**(2,259)**	503
Effect of different tax rate of operating entities in other jurisdiction	**(6,318)**	(4,032)
Income tax expense	**116,296**	107,257

10. EARNINGS PER SHARE

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

	2019	2018
	RMB'000	*RMB'000*
Earnings:		
Earnings for the purpose of calculating basic and diluted earnings per share	**1,013,805**	630,592

	2019	2018
Number of Shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,239,039,948**	1,210,539,897
Effect of dilutive potential ordinary shares:		
Share options	**88,679,703**	101,850,082
Restricted shares	**4,655,382**	1,481,453
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**1,332,375,033**	1,313,871,432

The weighted average number of ordinary shares shown above have been arrived at after deducting the weighted average effect on 8,184,866 shares held by a trustee under Restricted Share Award scheme.

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended December 31, 2019, nor has any dividend been proposed since the end of the reporting period (2018: nil).

11. GOODWILL

	2019 *RMB'000*
COST	
At the beginning of the year	**—**
Arising on acquisition of subsidiaries *(Note 22)*	**185,408**
At the end of the year	**185,408**

For the purposes of impairment testing, goodwill has been allocated to an individual cash generating unit (the "**Unit**"), comprising two subsidiaries, Pinghu U-Pure Biosciences Co., Ltd. and BestChrom (Shanghai) Biosciences Co., Ltd. (together referred to as "**Target Companies**").

The recoverable amount of the Unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and pre-tax discount rate of 17%. The Unit's cash flows beyond the 5-year period are extrapolated using a steady 3% growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the Unit's past performance and management's expectations for the market development.

During the year ended December 31, 2019, management of the Group determines that there is no impairment on the Unit.

12. INVESTMENT IN AN ASSOCIATE

	2019	2018
	RMB'000	*RMB'000*
Cost of unlisted investment in an associate	**33,798**	—
Share of post-acquisition loss and other comprehensive expense	**(3,119)**	—
Other adjustments	**178**	—
	30,857	—

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

Name of entity	Country of registration	Principal place of business	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activity
			2019	2018	**2019**	2018	
Duoning	PRC	PRC	**8.13%**	—	**20%**	—	Sales of serum-free media and disposable products, formulation production and services

In April 2019, the Group acquired 9.32% of the equity interest in Duoning from independent third parties for a total purchase price of US$5,000,000 (equivalent to RMB33,798,000). In December 2019, other investors further invested in Duoning and the Group's equity interest is diluted to 8.13%. The Group is able to exercise significant influence over Duoning because it has the power to appoint one out of the five directors of Duoning under the Articles of Association of Duoning.

13. INTANGIBLE ASSETS

	Technology *RMB'000*	Customer Relationship *RMB'000*	Patent and License *RMB'000*	Total *RMB'000*
Cost				
At January 1, 2018	—	—	—	—
Additions	—	—	333,254	333,254
Exchange alignment	—	—	8,528	8,528
At December 31, 2018	—	—	341,782	341,782
Acquisition of subsidiaries *(Note 22)*	57,600	47,400	—	105,000
Additions	—	—	1,191	1,191
Exchange alignment	—	—	(1,345)	(1,345)
At December 31, 2019	57,600	47,400	341,628	446,628
Amortization				
At January 1, 2018	—	—	—	—
Charge for the year	—	—	(9,969)	(9,969)
At December 31, 2018	—	—	(9,969)	(9,969)
Charge for the year	(1,309)	(2,370)	(17,135)	(20,814)
At December 31, 2019	(1,309)	(2,370)	(27,104)	(30,783)
Carrying Values				
At December 31, 2018	—	—	331,813	331,813
At December 31, 2019	56,291	45,030	314,524	415,845

Technology and customer relationship are recognized during the acquisition of subsidiaries (see Note 22 for details). They represent the intellectual property and existing customer relationships which have finite useful life and are amortized on a straight-line basis over its estimated useful life of 11 and 5 years respectively.

14. EQUITY INSTRUMENTS AT FVTOCI

On June 25, 2018, the Group subscribed 19.9% of the equity interest of Tysana Pte. Ltd. ("**Tysana**"), a Singapore corporation, for a cash consideration of US$9,950,000 (equivalent to approximately RMB64,569,000). Tysana focuses on the business of infectious diseases drug research, development and commercialization in respect of the monoclonal antibodies.

On July 16, 2018, the Group subscribed 19.9% of the equity interest of Privus Biologics, LLC ("**Privus**"), a limited liability company organized under the law of the State of Delaware, U.S.A., with a consideration of US$9,950,000 (equivalent to approximately RMB66,424,000). Privus focuses on the business of optimizing, manufacturing and developing pharmaceuticals intended for use in the field containing one or more subject antibodies as an active ingredient.

The Group has no controlling power nor significant influence over the management and the operations of Tysana and Privus. At the date of initial recognition, the Group made an irrevocable election to designate these equity instruments as at FVTOCI as the management of the Company believes that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realizing their performance potential in the long run.

During the year ended December 31, 2019, the Group managed and evaluated the above unlisted investments purchased on a fair value basis in accordance with the Group's investment strategy.

Movement of equity instruments at FVTOCI are as follows:

	RMB'000
As at January 1, 2019	136,578
Exchange alignment	2,248
As at December 31, 2019	138,826

15A. FINANCIAL ASSETS AT FVTPL

	2019 *RMB'000*	2018 *RMB'000*
Current assets		
Financial products	**543,000**	—
Less: other financial assets *(Note 15B)*	**(458,000)**	—
Financial assets at FVTPL *(Note i)*	**85,000**	—
Non-current assets		
Unlisted investments *(Note ii)*	**282,479**	55,699

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

ii In May 2018 and January 2019, the Group entered into agreements to purchase 429,799 and 1,719,197 Series Mezzanine 2 Preferred Shares of Inhibrx, Inc. ("**Inhibrx**") respectively for cash consideration of US$3,000,000 (equivalent to approximately RMB19,130,000) and US$12,000,000 (equivalent to approximately RMB82,178,000) respectively. Inhibrx is a Delaware corporation and focuses on the business of delivering optimized, biologic therapeutics to people with life-threatening conditions and building a large and diverse pipeline with the potential to impact cancer, infectious disease and orphan diseases.

In September 2018 and January 2019, the Group entered into agreements to purchase 481,454 Series C-1 and 481,454 Series C-3 Preferred Shares of CANBridge Pharmaceuticals Inc. ("**Canbridge**") respectively for a cash consideration of US$5,000,000 (equivalent to approximately RMB34,195,000) and US$5,000,000 (equivalent to approximately RMB33,672,000) respectively. Gain on fair value change of RMB6,468,000 was recognized for the equity instrument in Canbridge for the year ended December 31, 2019 (2018: RMB796,000). Canbridge is an exempted company incorporated with limited liability under the laws of Cayman Islands and focuses on the business of developing, selling, or marketing the pharmaceuticals for treatment or prevention of oncology or rare disease indications.

In March 2019, the Group entered into an agreement to purchase 2,856,055 Series A Preferred Shares of Virtuoso Therapeutics, Inc. ("**Virtuoso**") for a cash consideration of US$1,875,000 (equivalent to approximately RMB12,572,000). Virtuoso is an exempted company incorporated with limited liability under the laws of Cayman Islands and focuses on the business of researching and developing antibodies and the therapeutics on oncology.

In July 2019, the Group entered into an agreement to purchase 1,428,571 Series C-1 Preferred Shares of I-Mab for a cash consideration of US$10,000,000 (equivalent to approximately RMB68,737,000). I-Mab is an exempted company incorporated with limited liability under the laws of the Cayman Islands and focuses on the business of discovery, development and commercialization of novel or highly differentiated biologics to treat diseases with significant unmet medical needs, particularly cancers and autoimmune disorders.

In October and December 2019, the Group invested US$2,000,000 (equivalent to approximately RMB14,146,000) and US$1,000,000 (equivalent to approximately RMB7,038,000) respectively to BB Pureos Bioventures, LP, ("**BB Pureos**") as a limited partnership and strategic investor. Loss on fair value change of RMB2,953,000 was recognized for the investment in BB Pureos for the year ended December 31, 2019. BB Pureos is incorporated in Guernsey and mainly venture capital in private innovative drug development companies, with an emphasis on the next generation of biological drugs and drug formats.

During the year ended December 31, 2019, the Group managed and evaluated the unlisted investment purchased on a fair value basis in accordance with the Group's investment strategy.

Movement of unlisted investments under financial assets at FVTPL are as follows:

	Inhibrx *RMB'000*	**Canbridge** *RMB'000*	**Virtuoso** *RMB'000*	**I-Mab** *RMB'000*	**BB Pureos** *RMB'000*	**Total** *RMB'000*
As at January 1, 2018	19,130	—	—	—	—	19,130
Additions	—	34,195	—	—	—	34,195
Fair value change	—	796	—	—	—	796
Exchange alignment	1,460	118	—	—	—	1,578
As at December 31, 2018	20,590	35,109	—	—	—	55,699
Additions	82,178	33,672	12,572	68,737	21,184	218,343
Fair value change	—	6,468	—	—	(2,953)	3,515
Exchange alignment	1,875	1,754	508	1,025	(240)	4,922
As at December 31, 2019	104,643	77,003	13,080	69,762	17,991	282,479

15B. OTHER FINANAICLA ASSETS

During the year ended December 31, 2019, the Group entered into several contracts of financial products with banks, for a period of two to six months, amounting of RMB458,000,000. These financial products are principal guaranteed with fixed interest rate and therefore are recognized as other financial assets at amortized costs. The fixed interest rate ranged from 3.2% to 3.8% per annum.

16. TRADE AND OTHER RECEIVABLES

	2019	2018
	RMB'000	*RMB'000*
Trade receivables from contracts with customers		
— related parties	**4,184**	8,791
Less: Allowance for credit losses	**(22)**	(3)
— third parties	**1,394,856**	810,365
Less: Allowance for credit losses	**(64,378)**	(56,295)
	1,334,640	762,858
Bill receivables from contracts with customers	**2,248**	—
Receivables for purchase of raw materials on behalf of customers		
— third parties	**87,080**	87,980
Less: Allowance for credit losses	**(1,137)**	(1,014)
	85,943	86,966
Advances to suppliers	**21,565**	18,647
Prepayments	**4,096**	3,153
Other receivables	**42,030**	26,273
Value added tax recoverable	**246,137**	169,338
	313,828	217,411
Total trade and other receivables	**1,736,659**	1,067,235

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

	2019	2018
	RMB'000	*RMB'000*
Not past due	**833,005**	461,772
Within 90 days	**309,276**	236,288
91 days to 1 year	**168,467**	60,556
Over 1 year	**23,892**	4,242
	1,334,640	762,858

As at December 31, 2019, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB501,635,000 (2018: RMB301,086,000) which are past due as at the reporting date. Out of the past due balances, RMB192,359,000 (2018: RMB64,798,000) have been past due 90 days or more and are not considered as in default as the amounts will be repaid by the customers based on the customers' promise and historical experience. The Group does not hold any collateral over these balances.

17. CONTRACT ASSETS

	2019	2018
	RMB'000	*RMB'000*
Contract assets	**48,331**	42,657
Less: Allowance for credit losses	**(8,350)**	(6,631)
	39,981	36,026

The contract assets primarily relate to the Group's right to consideration for work completed and not billed because the rights are conditioned upon the Group's future performance in achieving specified milestones as stipulated in the contract. The contract assets are transferred to trade receivables when the rights become unconditional.

18. BANK BALANCES AND CASH/PLEDGED BANK DEPOSITS

Bank balances and cash of the Group comprised of cash and short term bank deposits with an original maturity of three months or less. The short term bank deposits carry interests at market rates which ranged from 0% to 3.32% per annum as at December 31, 2019 (2018: 0.001% to 3.55%).

Certain deposits are pledged to banks as collateral for the issue of letter of credit by the banks in connection with the purchase of raw materials and property, plant and equipment by the Group. Such bank deposits carry fixed interest rates.

19. TRADE AND OTHER PAYABLES

	2019	2018
	RMB'000	*RMB'000*
Trade payables		
— related parties	**9,507**	9,143
— third parties	**176,303**	211,840
	185,810	220,983
Other payables and accrual		
— related parties	**736**	—
— third parties	**216,665**	107,855
	217,401	107,855
Option fee received *(Note i)*	**—**	27,453
Advance from customers *(Note i and ii)*	**404,077**	—
Advance from disposal of property, plant and equipment	**47,641**	—
Payable for purchase of property, plant and equipment	**695,798**	210,052
Consideration payables for acquisition of subsidiaries *(Note 22)*	**28,702**	—
Salary and bonus payables	**257,043**	142,161
Other taxes payable	**7,180**	3,275
	1,843,652	711,779

Note:

i. The balance of December 31, 2018 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% shall 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, and the remaining 50% will become forfeited payment to the Group.

   During the current year, the Group acknowledged receipt of termination notice to the Option to Purchase Agreement from the customer, and accordingly US$2 million (equivalent to RMB13,952,000) is reclassified to "advance from customers" and the remaining US$2 million (equivalent to RMB13,764,000) is recognized as "other income".

ii. In May 2019, The Group entered into a letter of intent with an independent global vaccine leader (the "**Vaccine Partner**"), according to which the Group and the Vaccine Partner are contemplating entering into a contract manufacturing agreement (the "**Vaccine Manufacturing Agreement**") pursuant to which the Group shall build an integrated vaccine manufacturing facility in Ireland, and manufacture for, and supply to, the Vaccine Partner certain vaccine products. The Group received first instalment of US$55 million (equivalent to RMB390,125,000) in December 2019 and recognizes the amount as "advance to customers". The Group has subsequently entered into the Vaccine Manufacturing Agreement with the Vaccine Partner in February 2020.

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:

	2019	2018
	RMB'000	*RMB'000*
Within three months	**165,838**	192,189
Over three months but within one year	**18,764**	27,721
Over one year but within two years	**1,208**	1,073
	185,810	220,983

20. CONTRACT LIABILITIES

	2019	2018
	RMB'000	*RMB'000*
Contract liabilities	**336,395**	499,743

Revenue of RMB451,352,000 was recognized during the year ended December 31, 2019 that was included in the contract liabilities at the beginning the year of 2019 (2018: RMB303,337,000).

21. BORROWINGS

	2019 *RMB'000*	2018 *RMB'000*
Unsecured bank loans	**1,901,347**	—
The carrying amounts of the above borrowings are repayable*:		
Within one year	**506,107**	—
Within a period of more than one year but not exceeding two years	**139,524**	—
Within a period of more than two years but not exceeding five years	**1,255,716**	—
	1,901,347	—
Less: Amounts due within one year shown under current liabilities	**(506,107)**	—
Amounts shown under non-current liabilities	**1,395,240**	—

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

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

	2019 *RMB'000*	2018 *RMB'000*
Fixed-rate borrowings	**280,000**	—
Variable-rate borrowings	**1,621,347**	—
	1,901,347	—

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

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

	2019	2018
Effective interest rate:		
Fixed-rate borrowings	**3.70% to 3.92%**	N/A
Variable-rate borrowings	**1.50% to 3.33%**	N/A

As at the end of the reporting period, the Group has the following undrawn borrowing facilities:

	2019	2018
	RMB'000	*RMB'000*
Floating rate		
— expiring within one year	**1,473,360**	—
Fixed rate		
— expiring within one year	**160,000**	—
	1,633,360	—

22. ACQUISITION OF SUBSIDIARIES

In 2019, WuXi Co., a wholly-owned subsidiary of the Group, entered into agreements with independent third parties not connected to the Group to acquire 50.1% equity interest in Target Companies for consideration of RMB300,600,000. This acquisition has been accounted for using the acquisition method. The amount of goodwill arising as a result of the acquisition was RMB185,408,000. Target Companies are limited liability companies under the laws of the PRC, primarily engaged in production and sale of biologics purification medium and chromatographic column. Target Companies were acquired so as to integrate up-stream suppliers.

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

Details of the fair value of assets and liabilities acquired at the date of acquisition are as follows:

	RMB'000
Property, plant and equipment	8,536
Right-of-use assets	2,663
Intangible assets	105,000
Inventories	81,934
Trade and other receivables	23,390
Financial assets at FVTPL	38,000
Bank balances and cash	4,875
Trade and other payables	(2,685)
Contract liabilities	(1,514)
Lease liabilities	(2,645)
Income tax payable	(229)
Deferred tax liabilities	(27,401)
Net assets acquired	229,924

Goodwill arising on acquisition:

	RMB'000
Consideration transferred	300,600
Plus: non-controlling interests	114,732
Less: net assets acquired	(229,924)
Goodwill arising on acquisition	185,408

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

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

Consideration for acquisition:

	RMB'000
Cash consideration paid	271,898
Consideration payable	28,702
Total consideration	300,600

Net cash outflow on acquisition:

	RMB'000
Cash consideration paid	271,898
Less: bank balances and cash acquired	(4,875)
	267,023

23. SHARE CAPITAL

	Number of shares	Amount *US$*
ORDINARY SHARES OF US$0.000025 EACH AUTHORIZED:		
At January 1, 2018, December 31, 2018 and December 31, 2019	2,000,000,000	50,000

ISSUED AND FULLY PAID:

	Number of shares	Amount *US$*	Shown in the financial statements as *RMB'000*
At January 1, 2018	1,163,065,057	29,077	192
Issue of new shares *(Note i)*	57,000,000	1,425	9
Exercise of pre-IPO share options	5,876,333	147	1
At December 31, 2018	1,225,941,390	30,649	202
Issue of new shares *(Note ii)*	54,684,866	1,368	10
Exercise of pre-IPO share options	13,899,730	347	2
At December 31, 2019	1,294,525,986	32,364	214

Notes:

i. On March 29, 2018, the Company issued 57,000,000 new ordinary shares of US$0.000025 each through placement to certain independent third parties at a price of HK$70.00 per share. The net cash proceeds was HK$3,966,060,000 (equivalent to approximately RMB3,186,690,000), after deducting the issue cost of HK$23,940,000 (equivalent to approximately RMB19,236,000).

ii. On May 30, 2019, the Company issued and allotted 8,184,866 new ordinary shares at nil consideration to trustee under the Restricted Share Award Scheme. On November 8, 2019, the Company issued 46,500,000 new ordinary shares of US$0.000025 each through placement to certain independent third parties at a price of HK$85.00 per share. The net cash proceeds was HK$3,928,760,000 (equivalent to approximately RMB3,512,221,000), after deducting the issue cost of HK$23,740,000 (equivalent to approximately RMB21,393,000).

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

"Audit Committee"	the audit committee of the Board
"Biologics Holdings"	WuXi Biologics Holdings Limited, a company incorporated under the laws of the British Virgin Islands on December 17, 2015 with limited liability, and a controlling shareholder of the Company
"Board" or "Board of Directors"	the board of Directors of the Company
"CDMO"	Contract development and manufacturing organization
"CG Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"cGMP"	Current Good Manufacturing Practice regulations, regulations enforced by the Food and Drug Administration of the United States on pharmaceutical and biotech firms to ensure that the products produced meet specific requirements for identity, strength, quality and purity
"Chairman"	the Chairman of the Board
"China" or "the PRC"	the People's Republic of China excluding, for the purpose of this interim report, Hong Kong, Macau Special Administrative Region and Taiwan
"Company"	WuXi Biologics (Cayman) Inc. (藥明生物技術有限公司*), an exempted company incorporated in the Cayman Islands with limited liability on February 27, 2014
"Director(s)"	the director(s) of the Company
"Eligible Participant(s)"	any Director or employee of the Company or any of its subsidiaries
"EU"	a politico-economic union of 28 member states that are located primarily in Europe
"EU EMA"	European Medicines Agency

"GMP"	Good Manufacturing Practice
"Group" or "we" or "our"	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
"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 of Hong Kong Limited, as amended or supplemented from time to time
"Main Board"	the Main Board of the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
"Pre-IPO Share Option Scheme"	the pre-IPO share option scheme adopted by the Company with effect from January 5, 2016, and amended on August 10, 2016, the principal terms of which are summarised in "Statutory and General Information — E. Pre-IPO Share Option Scheme" in Appendix IV to the Prospectus

"Prospectus"	the prospectus issued by the Company dated May 31, 2017
"Remuneration Committee"	the remuneration committee of the Board
"Renminbi" or "RMB"	Renminbi Yuan, the lawful currency of China
"Reporting Period"	the one-year period from January 1, 2019 to December 31, 2019
"Restricted Share Award Scheme"	the restricted share award scheme adopted by the Company on January 15, 2018
"Selected Participant(s)"	any Eligible Participant(s) selected by the Board in accordance with the terms of the Restricted Share Award Scheme
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
"Shareholder(s)"	holder(s) of Shares
"Share(s)"	ordinary share(s) in the capital of the Company with nominal value of US$0.000025 each
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"U.S. dollar(s)" or "US$" or "USD"	United States dollars, the lawful currency of the United States of America
"U.S. FDA"	The Food and Drug Administration of the United States of America
"Written Guidelines"	the Written Guidelines for Securities Transactions by Directors adopted by the Company

In this announcement, the terms "associate", "associated corporation", "connected person", "controlling shareholder", "subsidiary" and "substantial shareholder" 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, March 26, 2020

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*