WuXi Biologics
Global Solution Provider

2017 Annual Report

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

*For identification purpose only

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Corporate Information

BOARD OF DIRECTORS

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

Non-executive Directors
Dr. Ge Li *(Chairman)*
Mr. Edward Hu
Mr. Yibing Wu
Mr. Yanling Cao

Independent Non-executive Directors
Mr. William Robert Keller
Mr. Teh-Ming Walter Kwauk
Mr. Wo Felix Fong

AUDIT COMMITTEE
Mr. Teh-Ming Walter Kwauk *(Chairman)*
Mr. William Robert Keller
Mr. Edward Hu

REMUNERATION COMMITTEE
Mr. William Robert Keller *(Chairman)*
Mr. Wo Felix Fong
Mr. Edward Hu

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

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

AUTHORISED REPRESENTATIVES
Dr. Zhisheng Chen
Ms. Cheng Pik Yuk

JOINT COMPANY SECRETARIES
Mr. Yong Tong
Ms. Cheng Pik Yuk

REGISTERED OFFICE
PO Box 309
Ugland House
Grand Cayman KY1-1104
Cayman Islands

CORPORATE HEADQUARTER
No. 108, Meiliang Road
Mashan
Wuxi
China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG
Level 54, Hopewell Centre
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Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
Maples Fund Services (Cayman) Limited
PO Box 1093, Boundary Hall
Cricket Square
Grand Cayman KY1-1102
Cayman Islands

Corporate Information

HONG KONG BRANCH SHARE REGISTRAR

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

HONG KONG LEGAL ADVISER

Shearman & Sterling
12/F, Gloucester Tower, The Landmark
15 Queen's Road Central
Hong Kong

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
35/F One Pacific Place
88 Queensway
Hong Kong

COMPLIANCE ADVISER

Somerley Capital Limited
20/F, China Building
29 Queen's Road Central
Hong Kong

STOCK CODE

2269

COMPANY WEBSITE

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Chairman and CEO Statement

Dear Shareholders,

2017 was an extraordinary year for the global healthcare industry and for our company. The field of biologics experienced a vibrant year, achieving breakthroughs across multiple fronts, including options to treat previously difficult to treat diseases together with numerous orphan drug approvals. The Chinese government also rolled out a series of significant policy reforms including adopting the ICH guidelines for new drug evaluation and encouraging innovation in the biopharmaceutical industry. These industry tailwinds will continue to help drive our growth in the years to come.

For WuXi Biologics, our mission is to accelerate and transform biologics discovery, development and manufacturing to benefit patients worldwide. In 2017, we have continued the effective execution of our "follow-the-molecule" strategy while significantly expanding our capabilities and capacities. To name just a few of our key 2017 highlights:

- The number of our ongoing integrated projects increased from 103 to 161.
- We achieved great success for our clients in advancing projects from pre-IND stage to post-IND stage, with 29 projects progressing from preclinical to early-phase (phase I&II).
- In August, the U.S. FDA completed a Pre-License Inspection (PLI) of the Company's cGMP manufacturing facilities for production of TMB-355 (Ibalizumab). This further endorsed our commercial manufacturing capabilities and cemented WuXi Biologics as the company with the first FDA-approved cGMP production facility, to commercially manufacture biologics in China.
- In August, the Company together with our partner Harbin Gloria Pharmaceuticals Co., Ltd., licensed the Fully Human PD-1 Antibody (GLS-010) to Arcus Biosciences, Inc. This new partnership is another testament of the Group's best-in-class biologics R&D capabilities and the success of our "follow-the-molecule" strategy. It also highlights the potential for significantly increasing revenues on individual molecules.
- In December, the Company initiated cGMP manufacturing in the world's largest commercial biologics manufacturing facility using only single-use bioreactors. This new 30,000-liter facility will lay a solid foundation for the expansion of our commercial manufacturing business that will enable the Company's future growth. This marked an important milestone not only for our company, but also for the biologics industry in China.

As a leading global open-access biologics technology platform, we continue to forge strong relationships with customers worldwide, including start-ups, small to mid-sized biotech and global pharmaceutical companies. We now serve 13 of the top 20 global pharmaceutical leaders and work with and support over 200 companies globally. Our key role, in enabling our partners, has resulted in many drug candidates now being tested in the clinic to treat various diseases including many unmet medical needs.

As a result of our success and growth across all regions worldwide, we have continued to invest in further expansion of our capabilities and capacities. In 2017, we continued to integrate new technologies into our research, development and manufacturing of biologics. In order to maximize the success rate of antibody discovery and accelerate the drug research and development process, we have successfully developed various technological platforms to expedite the discovery of antibodies including fully human antibodies, bispecifics and antibody fragments.

Chairman and CEO Statement

In June, the Company was listed on the Main Board of the Hong Kong Stock Exchange, being recognized as a pioneer and leader in the biologics industry. Just two months after IPO, we were included in the constituent stocks of the Hang Seng Composite LargeCap and MidCap Index. We entered the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect in September 2017.

As a fully integrated platform company, we are here to provide our partners with the advanced capabilities and capacities, cutting-edge technologies and most comprehensive solutions to enable our partners to develop innovative biologics. We will strive to pursue excellence in everything we do while focusing on our vision: "Do the Right Thing; Do Things Right", and driving continued innovation and progress in the fast growing field of biologics to benefit patients worldwide.

We would like to give our heartfelt thanks to our customers and shareholders. The trust you place in the Company is a constant reminder of our responsibility never to stand still and accept what *is*, rather than thinking about what *could be*. We must also thank our dedicated employees, who are the basis of everything we achieve.

For the years ahead, we will keep pushing the frontiers of what is possible, as this is fundamental not only to our continued success, but also, to our global customers, partners, and patients we strive to serve.

Dr. Ge Li
Chairman

March 19, 2018

Dr. Zhisheng Chen
CEO

March 19, 2018

Financial Summary

	For the year ended December 31,			
	2014 RMB'000	2015 RMB'000	2016 RMB'000	**2017 RMB'000**
Operating results				
Revenue	331,850	557,042	989,029	**1,618,829**
Gross profit	123,254	180,721	389,110	**660,557**
Profit before tax	49,012	65,402	175,846	**303,687**
Net profit	41,978	44,509	141,096	**252,628**
Adjusted net profit [(1)]	49,744	71,370	220,527	**408,119**
Profitability				
Gross margin (%)	37.1%	32.4%	39.3%	**40.8%**
Net profit margin (%)	12.6%	8.0%	14.3%	**15.6%**
Adjusted net profit margin (%) [(1)]	14.1%	12.8%	22.3%	**25.2%**

	As at December 31,			
	2014 RMB'000	2015 RMB'000	2016 RMB'000	**2017 RMB'000**
Financial position				
Total assets	636,670	1,356,716	1,984,996	**4,848,962**
Total equity	371,830	146,001	270,467	**4,024,360**
Total liabilities	264,840	1,210,715	1,714,529	**824,602**
Bank balances and cash	5,948	158,229	169,102	**503,881**

(1) Excluding the share-based compensation expenses, Listing expenses and a foreign exchange loss due to translation loss from the IPO proceeds in 2017.

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 EBITDA, adjusted EBITDA margin and adjusted basic and diluted earnings per share (excluding the share-based compensation expenses, Listing expenses and a foreign exchange loss due to translation loss from the IPD proceeds) as additional financial measures, which are not required by, or presented in accordance with, the IFRS. The Company believes that the adjusted financial measures are useful for understanding and assessing underlying business performance and operating trends, and that the Company's management and investors may benefit from referring to these adjusted financial measures in assessing the Group's financial performance by eliminating the impact of certain unusual and non-recurring items that the Group does not consider indicative of the performance of the Group's business. However, the presentation of these non -IFRS financial measures is not intend 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, or as being comparable to results reported or forecasted by other companies.

Business Review

During the Reporting Period, the Group continued to adopt its "follow-the-molecule" strategy and achieved a strong revenue growth. As at December 31, 2017, the Group had a total of 161 integrated projects, which required the Group to provide services across different stages of the biologics development process, representing an increase of 56.3% as compared to 103 projects as at December 31, 2016. From pre-clinical development stage to late-phase (phase III clinical trials), the Group has continued to gain more market share globally and capture blooming market growth opportunity.

Revenue of the Group in 2017 reached a historical high level, which amounted to RMB1,618.8 million, representing an increase of 63.7% as compared to that in 2016. The Group realized a phenomenal growth in total backlog, which comprised both service backlog and upcoming potential milestone fees. The service backlog enjoyed a strong increase of 97.5% from approximately US$241.0 million as at December 31, 2016 to approximately US$476.0 million as at December 31, 2017, and the upcoming potential milestone fees surged from approximately US$24.0 million as at December 31, 2016 to approximately US$1,002.0 million as at December 31, 2017. The service backlog represents the amount which the Group has contracted but yet to peform. The upcoming potential milestone fees represent the total amount for upcoming milestone fees, which the Group has contracted but has not yet performed nor received. At the same time, the Group achieved a huge success in progressing projects from pre-IND stage to post-IND stage, 90 projects were in pre-clinical development stage and 62 projects were in early-phase (phase I and II), out of which 29 projects succeeded in progressing from pre-clinical development stage to early-phase stage in 2017. It demonstrated that the Group's global open-access biologics technology platform to offer end-to-end solutions for biologics discovery, development and manufacturing has been widely accepted by its customers.

The following table sets forth the status of the on-going integrated projects of the Group as at December 31, 2017:

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	90	2 years	US$4-6 mm
Post-IND			
– Early-phase (phases I & II) clinical development	62	3 years	US$4-6 mm
– Late-phase (phase III) clinical development	8	3-5 years	US$20-50 mm
– Commercial manufacturing	1	Annually	US$50-100 mm[3]
Total	161		

Notes:

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

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

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

In 2017, the Group continued to diversify its customer base, which included leading global pharmaceutical companies as well as virtual, start-up companies and small-to-medium sized biotechnology companies. As at December 31, 2017, the Group had worked with 13 out of the 20 largest pharmaceutical companies in the world as measured by their respective pharmaceutical sales in 2017. The Group provided services to 202 customers in the year ended December 31, 2017, compared with 163 customers in the year ended December 31, 2016. The average revenue per customer among the top ten customers increased from RMB65.9 million for the year ended December 31, 2016 to RMB88.4 million for the year ended December 31, 2017 manifesting success of the Group's "follow-the-molecule" strategy. The Group believes that the cooperation with different customers could allow it to enhance its value chain and capture the growing market opportunity in the future.

The Group's Facilities

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

Wuxi Site

The Wuxi site houses part of the Group's clinical manufacturing facilities (late-phase) and the commercial manufacturing facilities, providing services such as assay, formulation and process development, assay and process validation, protein, monoclonal antibodies ("**mAbs**") and cGMP drug substances manufacturing, lot release testing, stability studies, drug product formulation, fill and finish, and regulatory support services.

On August 3, 2017, the U.S. FDA completed the pre-license inspection ("**PLI**") for production of Ibalizumab with no critical observations in the Wuxi site. This validated both the Group's global quality standard and pioneer use of disposable bioreactors for commercial manufacturing. On March 6, 2018, the U.S. FDA approved Ibalizumab, which is the first project of the Group for commercial production. This demonstrated the Group has lived up to its strategy, "follow-the-molecule", which marked progress from R&D stages to commercial production stage and launched a grand opening of a new business sector in its development.

In December 2017, the Group announced its cGMP biologics manufacturing facility in Wuxi site entered into commercial operations with 30,000L disposable bioreactor capacity. This marked a significant milestone for the Group as well as the biologics industry in China.

Shanghai Site

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

The Group is increasing the clinical manufacturing capacity by adding mammalian drug substances clinical manufacturing facilities with a planned capacity of 7,000L at the Shanghai site. The new facilities, equipped with fed-batch lines and perfusion lines which can help the Company double its existing cGMP capacity for clinical trials, are expected to commence operation in mid 2018.

The Shanghai site keeps on improving the service capability to satisfy most of the requirements from the Group's customers. The high-throughput perfusion platform has been established. Also, the Group has succeeded in high-speed protein production, which is used in both protein production and integrated projects. It could speed up from transfection to delivery of grams level of protein. The Group developed 218 cell lines for therapeutic protein purpose, it is one of the largest cell culture development laboratories globally.

Suzhou Site

The Suzhou site has completed a series of operation optimization during the Reporting Period, which has further enhanced our operation efficiency and shortened the delivery cycles of projects. The technology team has completed construction of a series of internally recognized biosafety testing capabilities, and the cell line characterization laboratory under expansion has been put into operation, hence being able to provide customers with more comprehensive, efficient and excellent services.

Research and Development

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

During the Reporting Period, the research and development expenditure was approximately RMB74.5 million, which accounted for 4.6% of the total revenue of the Group. The Group will continue to increase its investment in research and development which will reduce clinical and commercial manufacturing costs as well as the cost and the time required for building a new manufacturing facility.

Sales and Marketing

The Group takes a multichannel approach to its marketing efforts. The objectives of the marketing plan are to build awareness of the Company's brand and its single-use bioreactors and open-access technology platform and to communicate to the market the key technical, operational and business strategies of the Group's services offering through influencing existing and potential customers 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 such as the annual "BIO" conference which brings together 16,000 executives and other key opinion leaders from biopharma/pharma companies worldwide or more regional venues like BioEurope and CPhI Japan. The Group also frequently attends or presents its various platform technologies at technology-centric conferences dedicated to biologics development and manufacturing including the Bioprocess International East and West Conferences, Biologics Manufacturing Asia and PEGS (Protein Engineering Summit).

During the Reporting Period, the Group expanded the sales forces in both the United States and the European Union. The Group achieved outstanding performance and experienced a robust growth across all geographic markets in 2017. According to the Company's unique value proposition and track record of success positions, it will capture more exciting growth opportunities across all regions.

Quality Assurance

The Group is committed to ensuring and maintaining the highest standard of regulatory compliance while providing high quality services and products to the customers. The Group has 134 employees around the globe focusing on quality and regulatory compliance. The quality assurance department provides quality leadership and supervises the quality systems programs. During the U.S. FDA's PLI in August 2017, the inspectors covered both drug substance and drug product facilities with no critical observations, which validated that the Group has established a global quality standard already. The Group believes its operations are in compliance with the regulations.

Capacity Expansion Plan

Based on the current status of ongoing integrated projects, it is estimated that the current commercial manufacturing capacity may not be able to satisfy those projects' demand in the near future as there were 8 projects in late-phase (phase III) by the end of 2017 as compared to only 3 projects in early 2017.

The Group's short-term capacity expansion plan includes the expansion of a brand new ADC facility and another three new cGMP manufacturing facilities in Wuxi, excluding Shanghai's 7,000L clinical manufacturing capacity:

Workshop No.	Designed Capacity	Location
MFG4	10,000L fed-batch/CFB	Wuxi
MFG5	60,000L fed-batch	Wuxi
DP2	Liquid vial with lyophilization	Wuxi

In addition, the Group is considering new expansion plans, including construction or acquisition of new plant facilities in the PRC and the other countries as well as expansion of the existing laboratory facilities of the Group.

All of these will enable the Company to continue to implement the "follow-the-molecule" strategy and maintain the fast-track growth comparing to its peer leaders. Accordingly, the Group will be able to establish comprehensive capabilities to realize the full drug development and manufacturing cycles. The capacity expansion plan will be reviewed regularly to satisfy more demands from the fast growing market of biologics.

Investors Relations

The Company believes that the adherence to the highest standards of corporate governance and great transparency can create more value for the Shareholders and ensure sustainable long-term development. The Company recognizes the importance of effective communication with the Shareholders to enhance investor relations and help them to fully understand the latest development of the Company. To ensure the adequate and transparent communication, since its listing on the Stock Exchange in June 2017, the Company has actively engaged with both domestic and overseas institutional investors, analysts and potential investors by various channels.

During the Reporting Period, the Company conducted numerous meetings with investors, telephone conferences, investor conferences and roadshows organized by financial institutions in the United States and Asia, including "Morgan Stanley 16th Annual Asia Pacific Summit", "BAML 2017 China Conference", "Goldman Sachs APAC Healthcare Forum 2017", "Credit Suisse China Investment Conference", "Citi China Investor Conference 2017", "Deutsche Bank Healthcare Corporate Day", "Jefferies 7th Annual Greater China Summit". In addition, the Company also arranged facility site tours in both Shanghai and Wuxi with hundreds of investors, while publicizing major business developments through press releases, announcements and the Group's website in accordance with relevant rules and regulations. The Company's transparency and diligence in investor relations has been recognized by the capital market as it received "Hong Kong Equity Issue" from IFR Asia, "Best Block Trade" from "The Asset Triple A Awards", and "Best Investor Relations Award" from the "China Financial Market Listed Companies Awards 2017" organized by financial magazine "Chinese Financial Market".

The Company's outstanding performance in the Hong Kong capital market also enabled it to be included in the Hang Seng Composite Midcap Index and Hang Seng Healthcare Index in August 2017, which only took two months since the Listing in June 2017, and to join in both the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect in September 2017.

Going forward, the Company will continue to adhere to the world-class standard of corporate governance and enhancing transparency, for the purpose of maximizing the interest of the Shareholders and achieving sustainable development.

Future and Outlook

It is an exciting time for the biologics industry. The success of some biologic drugs' blockbusters reflects their ability to treat major chronic diseases, notably certain forms of cancer and autoimmune diseases, better than existing alternatives and with fewer side effects. This, combined with an aging population that will be more susceptible to such diseases, is driving the growth of the global biological drugs market. Meanwhile, biologics bring into picture higher range of specificity in treating a disease condition as the biologic entities like mAbs and recombinant proteins target specific areas in the molecular mechanism of disease action. Due to the increasing demand for biologics drugs and increased regulatory approvals for these drugs, there is huge demand for biologics manufacture and testing at various levels of clinical studies as well as commercial supply. So the biologics outsourcing global market is expected to grow at double digit CAGR speed to reach US$70.3 billion by 2025.

Given the higher research and development costs and risks for clinical trials, large biopharma companies are coming up with strategies to cut down their operational costs and concentrate more on their core competencies by outsourcing this piece of work to some open-access biologics technology platform companies offering end-to-end solutions. These open-access biologics technology platform companies bridge the gap between demand and supply and ensure that drug discovery process gets much faster and more convenient, thus bringing lifesaving drugs to the market to reach the needy patients. There will be huge opportunities for biologics outsourcing global market in the future.

In 2017, CFDA continued to steadily implement various new policies according to established guidelines and pace of reforms. The Opinions on Deepening Reform of Appraisal, Review and Approval System to Encourage Innovation of Drugs and Medical Equipment ("**Article 36**") (《關於深化評審批制度改革鼓勵藥品醫療器械創新的意見 ("36條")》) announced in October 2017 in particular, has introduced comprehensive reforms which is a milestone in China's history of

pharmaceutical development. Important reforms, such as the Clinical Trials Management, the Patent Linkage System, the Innovative Drugs Medical Insurance Access and the Implementation of MAH, will have great influence on the industry at home and aboard and become significantly favorable factors for the development of China's pharmaceutical market. The reforms have put forward higher requirements for innovation and research and development, while acceptance of foreign information and "introduction from overseas" are more common while market competition will become even more intense. However, these have also enabled China's biotechnology companies to shift to innovation with global value. China's biotech has ushered in exciting opportunities while such reforms will also be favorable to one-stop platform companies like the Group.

In the past few years, both large pharmaceutical companies and small startups have launched transformative products in several therapeutic areas. After the cancer immunotherapy method in the treatment of late-phase cancers and the breakthrough success in other biologics drugs in the treatment of ultra-rare diseases, some new drugs have not only reached the level of curing, but even healing, the diseases. Therefore, it is expected that in the next few years, the biopharmaceutical industry will keep maintaining a fast-paced development. With the growth in global population, both increase in demands for treatments and health, as a result, will bring about new expectations of the people for the development of the innovative drug industry.

The future is at the door and an ecosystem full of vitality has taken shape in China's biotechnology and pharmaceutical industry, while the Group's open-access research and development services enabled platform is playing an increasingly important role in this evolving ecosystem. The Company believes that the innovative spring will surely usher in fruitful achievements, and the innovative pharmaceutical products from China will definitely leave behind the marks of China in the world.

As a fully integrated platform company, the Company offers support for all steps in biopharmaceutical development programs and works with customers through a variety of relationships, from a purely fee-for-service basis to risk and benefit-sharing co-developments and strategic partnership. Investments in laboratory and production facilities, state-of-the-art single-use production, analytical equipments and highly qualified and talented bioprocess experts are backed by a long and successful history, which has demonstrated its commercialization capabilities and industrial expertise. The Group will capture more development opportunities to become a dominant biologics company and facilitate the future growth of its business and profitability.

Financial Review

Revenue

The revenue of the Group increased by 63.7% from approximately RMB989.0 million for the year ended December 31, 2016 to approximately RMB1,618.8 million for the year ended December 31, 2017. The growth of sales was mainly attributed to (i) a steady increase in the number of customers from 163 for 2016 to 202 for 2017; and strong growth in the number of integrated projects; (ii) a rapid growth of backlog reflected into the Group's revenue growth; (iii) more projects of pre-IND stage progressing into next stages such as early-phase (phase I and II) and late-phase (phase III) successfully by implementing the "follow-the molecule" strategy, which proved the customer and project stickness in its business; and (iv) marketing efforts made by the Group, resulting in robust market performance in the United States, China and Europe.

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

	Year ended December 31			
	2017		2016	
	RMB million	**%**	RMB million	%
Revenue				
– the United States	**900.6**	**55.6%**	505.0	51.1%
– PRC	**552.0**	**34.1%**	385.3	39.0%
– Europe	**65.3**	**4.0%**	21.1	2.1%
– Rest of the world *(Note)*	**100.9**	**6.3%**	77.6	7.8%
Total	**1,618.8**	**100%**	989.0	100%

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

Regarding the revenue of the Group generated from different stages, since the Group has adopted "follow-the-molecule" strategy, most of its projects are currently under the pre-IND stage and therefore, the pre-IND service charges of the Group accounted for more than half of the revenue of the Group. For the year ended December 31, 2017, the pre-IND revenue of the Group increased by 54.0% to approximately RMB1,049.2 million, accounting for 64.8% of the revenue of the Group. On the other hand, the post-IND service charges of the Group showed a rapid increase of 85.1% to approximately RMB569.6 million, accounting for 35.2% of the total revenue of the Group.

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

	Year ended December 31			
	2017		2016	
	RMB million	**%**	RMB million	%
Pre-IND services	**1,049.2**	**64.8%**	681.3	68.9%
Post-IND services	**569.6**	**35.2%**	307.7	31.1%
Total	**1,618.8**	**100%**	989.0	100.0%

Top 5 customers' revenue increased by 20.8% from approximately RMB535.3 million for the year ended December 31, 2016 to approximately RMB646.6 million for the year ended December 31, 2017, accounting for 39.9% of total revenue for the year ended December 31, 2017, as compared to 54.1% for the year ended December 31, 2016.

Top 10 customers' revenue increased by 34.1% from approximately RMB659.4 million for the year ended December 31, 2016 to approximately RMB884.4 million for the year ended December 31, 2017, accounting for 54.6% of total revenue for the year ended December 31, 2017, as compared to 66.7% for the year ended December 31, 2016.

Cost of Services

The cost of services of the Group increased by 59.7% from approximately RMB599.9 million for the year ended December 31, 2016 to approximately RMB958.3 million for the year ended December 31, 2017. The increase of the cost of services was in line with the growth of the business.

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

Gross Profit and Gross Profit Margin

Gross profit increased by 69.8% from approximately RMB389.1 million for the year ended December 31, 2016 to approximately RMB660.6 million for the year ended December 31, 2017. The increase in the gross profit was due to the Group's strong growth in the number of integrated projects as a result of its rapid business growth. The Group's gross profit margin increased from approximately 39.3% for the year ended December 31, 2016 to approximately 40.8% for the year ended December 31, 2017. The increase in the gross profit margin was primarily attributed to (i) the increase in the milestone fee revenue, which allows the Group to enjoy a higher profit margin on top of the service fees; (ii) better capacity utilization; (iii) more efficient business operation; partially offset by (iv) ramp-up of manufacturing new facilities.

Other Income

The Group's other income increased by 362.7% from approximately RMB7.5 million for the year ended December 31, 2016 to approximately RMB34.7 million for the year ended December 31, 2017, primarily due to (i) an increase in government grants and subsidies; and (ii) an increase in interest income arisen from the significant increase in bank balances and time deposits due to the receipt of IPO proceeds.

Other Gains and Losses

The Group recorded net other losses of approximately RMB103.6 million for the year ended December 31, 2017, compared with net other losses of approximately RMB1.5 million for the year ended December 31, 2016, primarily due to (i) an increase in net foreign exchange losses; and (ii) an increase in provision of allowance for doubtful debts; partially offset by a net gain on changes in fair value of financial assets designated as at fair value through profit or loss ("**FVTPL**").

The Group recorded an unrealized net foreign exchange loss of approximately RMB91.4 million and a realized net foreign exchange loss of approximately RMB7.6 million for the year ended December 31, 2017, mainly as a result of the appreciation of the Renminbi against the U.S. dollar. Out of the RMB91.4 million unrealized foreign exchange loss, the loss of RMB74.3 million was due to the translation loss in relation to the Company's unused IPO proceeds. The Group's net provision of allowance for doubtful debts increased from approximately RMB5.7 million for the year ended December 31, 2016 to approximately RMB13.7 million for the year ended December 31, 2017.

Selling and Marketing Expenses

Selling and marketing expenses increased by 80.4% from approximately RMB15.3 million, or 1.5% of revenue, for the year ended December 31, 2016 to approximately RMB27.6 million, or 1.7% of revenue, for the year ended December 31, 2017, primarily because (i) the Group enhanced its multi-channel marketing approach to build the awareness of its brand and its open-access technology platforms by more frequently attending technology-centric conferences; (ii) more promotions through advertising and maintenance of its premier positioning with industry leading technical content media; and (iii) strategically establishing its technical presence through webinars and educational videos, etc.

Administrative Expenses

The Group's administrative expenses increased by 41.6% from approximately RMB94.6 million for the year ended December 31, 2016 to approximately RMB134.0 million for the year ended December 31, 2017, primarily due to (i) an increase in its corporate governance related costs as the Company's shares were listed on the Stock Exchange in the second half of 2017; such as cost of legal services, compliance advisory and audit services; and (ii) an increase in its office administration cost, administrative staff cost, management's share-based compensation cost and insurance fee, etc., which are in line with its business growth and headcount growth. The Group anticipates that the administrative expenses will grow in line with corporate governance activities, business growth and headcount growth for the coming year.

Research and Development Expenses

The Group's research and development expenses increased by approximately 39.8% from approximately RMB53.3 million for the year ended December 31, 2016 to approximately RMB74.5 million for the year ended December 31, 2017, primarily due to (i) an increase in its research and development activities in connection with the development of next generation technologies; and (ii) the Group's continuous efforts made to improve its service efficiency.

Other Expenses

The Group's other expenses decreased by approximately 49.5% from approximately RMB31.9 million for the year ended December 31, 2016 to approximately RMB16.1 million for the year ended December 31, 2017, as a result that no IPO expenses were incurred in the second half of 2017 after the Company was listed on the Stock Exchange on June 13, 2017.

Finance Cost

The Group's finance cost increased by approximately 47.5% from approximately RMB24.2 million for the year ended December 31, 2016 to approximately RMB35.7 million for the year ended December 31, 2017, due to an increase in interest expenses. The Group incurred new bank borrowings in the second quarter of 2017 for various usages, and repaid all the bank borrowings by the end of September 2017. Please refer to the section headed "Management Discussion and Analysis — Indebtedness" for more information.

Income Tax Expense

The Group's income tax expense increased by 46.8% from approximately RMB34.8 million for the year ended December 31, 2016 to approximately RMB51.1 million for the year ended December 31, 2017, primarily due to the growth of the Group's business. The effective income tax rate decreased from approximately 19.8% for the year ended December 31, 2016 to approximately 16.8% for the year ended December 31, 2017, primarily because of a slower growth trend in non-tax deductible expenses, contributing to more favorable profit before tax for the year ended December 31, 2017, as compared to the growth rate in income tax expense. The non-tax deductible expenses include (i) the Group's IPO cost, which decreased by 49.5% for the year ended December 31, 2017, as compared to that of the year ended December 31, 2016 (please refer to the section headed "Other Expenses" for more information); and (ii) the Group's share-based compensation cost, which was recorded at a lower growth rate of 36.8% as compared to that of income tax expense.

Both WuXi Biopharma and Shanghai Biologics have been accredited as "High and New Technology Enterprise" by relevant government authorities. WuXi Biopharma is entitled to a preferential tax rate of 15% for a three-year period commencing from the beginning of 2016. Shanghai Biologics is entitled to a one-year's exemption from Enterprise Income Tax ("**EIT**") followed by three years of 50% tax reduction with effect from the beginning of 2016 in accordance with Guo Fa No. 40. Accordingly, the applicable EIT rate of Shanghai Biologics for the year ended December 31, 2017 is 12.5% (for the year ended December 31, 2016: Nil). Shanghai Biologics anticipates to continue enjoying the preferential income tax rate in the years of 2018 and 2019.

Net Profit and Net Profit Margin

As a result of the foregoing, the net profit of the Group increased by 79.0% from approximately RMB141.1 million for the year ended December 31, 2016 to approximately RMB252.6 million for the year ended December 31, 2017. The net profit margin of the Group for the year ended December 31, 2017 was 15.6%, as compared to 14.3% for the year ended December 31, 2016. The increase of net profit margin was primarily due to (i) a higher gross profit margin driven by an increase in the milestone fee revenue, which allowed the Group to enjoy a higher profit margin on top of the service fees; better capacity utilization and more efficient business operation; (ii) sound spending control of administrative expenses lowered its growth rate as compared to that of the revenue; (iii) an increase in government subsidy, interest income from IPO proceeds, and gains from funds investment (recorded in other gains or losses); (iv) a decrease in Listing expense; partially offset by (v) a net foreign exchange loss due to the appreciation of the Renminbi against the U.S. dollar.

The adjusted net profit of the Group increased by 85.1% from RMB220.5 million for the year ended December 31, 2016 to approximately RMB408.1 million for the year ended December 31, 2017. Adjusted net profit margin increased from 22.3% for the year ended December 31, 2016 to 25.2% for the year ended December 31, 2017. The increase of adjusted net profit margin was primarily due to (i) a higher gross profit margin as discussed above; (ii) sound spending control of administrative expenses lowered its growth rate as compared to that of the revenue; and (iii) an increase in government subsidy, interest income from IPO proceeds, and gains from funds investment (recorded in other gains or losses).

EBITDA

The EBITDA of the Group increased by 54.8% from approximately RMB292.8 million for the year ended December 31, 2016 to approximately RMB453.4 million for the year ended December 31, 2017. The EBITDA margin of the Group for the year ended December 31, 2017 was 28.0%, compared to 29.6% for the year ended December 31, 2016. The lower EBITDA margin of the Group for the year ended December 31, 2017 was primarily due to (i) the impact of foreign exchange losses, partially offset by (ii) a higher gross profit margin and (iii) lower growth rate of administrative expenses.

The adjusted EBITDA of the Group increased by 63.6% from approximately RMB372.2million for the year ended December 31, 2016 to approximately RMB608.9 million for the year ended December 31, 2017. The adjusted EBITDA margin of the Group for the year ended December 31, 2017 was 37.6%, which has remained the same as that for the year ended December 31, 2016.

Basic and Diluted Earnings Per Share

The basic earnings per share of the Group increased by 60.0% from RMB0.15 for the year ended December 31, 2016 to RMB0.24 for the year ended December 31, 2017. The diluted earnings per share of the Group increased by 46.7% from RMB0.15 for the year ended December 31, 2016 to RMB0.22 for the year ended December 31, 2017. Please refer to note 12 to the consolidated financial statements. The increase in the basic and diluted earnings per share was primarily due to the increase in the net profit resulted from the strong business growth of the Group.

Adjusted basic earnings per share for the year ended December 31, 2017 amounted to RMB0.38, representing an increase of 65.2% when compared with that of RMB0.23 for the year ended December 31, 2016. Adjusted diluted earnings per share for the year ended December 31, 2017 amounted to RMB0.35, representing an increase of 52.2% when compared with that of RMB0.23 for the year ended December 31, 2016. The increase in both the adjusted basic earnings per share and the adjusted diluted earnings per share was primarily due to the increase in the adjusted net profit resulted from the strong business growth of the Group as discussed in above section headed "Net Profit and Net Profit Margin".

Plant and Equipment

The plant and equipment of the Group increased by 54.4% from approximately RMB1,152.8 million as at December 31, 2016 to approximately RMB1,780.2 million as at December 31, 2017, primarily as a result of on-going construction of manufacturing facilities.

Inventories

The inventories of the Group increased by 71.5% from approximately RMB79.0 million as at December 31, 2016 to approximately RMB135.5 million as at December 31, 2017, primarily as a result of the growth of the Group's business. Along with the Group's increased number of on-going integrated projects from 103 as of December 31, 2016 to 161 as of December 31, 2017, the Group is required to reserve a higher inventory level for safe service provision.

Service Work in Progress

The service work in progress of the Group increased by 65.0% from approximately RMB122.7 million as at December 31, 2016 to approximately RMB202.4 million as at December 31, 2017, primarily as a result of the growth of the Group's business. Following its "follow-the-molecule" strategy, the Group had achieved more projects progressing from pre-IND stage into next stages such as early-phase (phase I and II) and late-phase (phase III), which have carried higher records of service work in progress.

Trade and Other Receivables

The trade and other receivables of the Group increased by 46.5% from approximately RMB419.4 million as at December 31, 2016 to approximately RMB614.3 million as at December 31, 2017, primarily due to a net increase in other receivables from approximately RMB125.5 million as at December 31, 2016 to approximately RMB300.0 million as at December 31, 2017, including a major increase in value added tax recoverable and receivables for purchase of raw materials on behalf of customers. The trade receivables had a slight increase of 6.9% from approximately RMB293.9 million as at December 31, 2016 to approximately RMB314.3 million as at December 31, 2017, which has proven the improvement of the Group's accounts receivable management.

Financial Assets Designated as at FVTPL

The Group held financial assets at FVTPL for RMB641.3 million as at December 31, 2017, as compared to nil as at December 31, 2016.

Following the receipt of IPO proceeds in June 2017, coupled with the smooth settlement of trade receivables during the Reporting Period, the Group has cumulated a high cash balance in the U.S. dollar pending gradual spending through next couple of years. Aiming at achieving returns in excess of the U.S. dollar current/time deposit while keeping a low risk of collectability, the Group entered into several contracts of funds (the "**Fund**") with a financial institution. The Fund invests primarily in debt securities with the objective of achieving returns in excess of those achieved by holding a portfolio of the U.S. money market instruments such as certificate of deposits, commercial papers with underlying assets denominated in the U.S. dollar over time. Besides, it retains a focus on preservation of principal and liquidity. All securities purchased by the Fund must be on an approved for purchase list created by the funds credit analyst team, which covers credits across the maturity spectrum to ensure consistency of views across the Fund's strategies. The investment in the Fund could be withdrawn within 3 business days. The Group considers its investment in the Fund is of low risk of collectability. The Group also entered into a contract of financial product with a bank for a period of six months, of which the contracted return rate is 2.45% per annum. Such financial assets have been designated as at financial assets at FVTPL on initial recognition.

Trade and Other Payables

The trade and other payables of the Group increased by 40.6% from approximately RMB558.1 million as at December 31, 2016 to approximately RMB784.7 million as at December 31, 2017, primarily due to increases in trade payables to third parties, advances from third-party customers, and payables for purchase of plant and equipment.

Liquidity and Capital Resources

The Group's bank balances and cash, time deposits and financial assets amounted to approximately RMB2,060.0 million in total as at December 31, 2017, as compared to approximately RMB169.1 million as at December 31, 2016.

Significant Investments, Material Acquisitions and Disposals

As at December 31, 2017, there were no significant investments held by the Company, nor were there any material acquisitions or disposals of subsidiaries, associates and joint ventures during the Reporting Period.

Indebtedness

Borrowings

There was no bank borrowing drawn by the Group as at December 31, 2017, compared to approximately RMB905.0 million as at December 31, 2016. During the first half year of 2017, the Group incurred new bank borrowings to (i) repay the loans borrowed from related parties, which were primarily used to fund the working capital needs of the Group; and (ii) fund the on-going construction of the new facilities at the Wuxi site. All bank borrowings were subsequently repaid by the end of September 2017.

Contingent Liabilities and Guarantees

As at December 31, 2017, the Group did not have any material contingent liabilities or guarantees.

Charges of Assets

As at December 31, 2017, the Group pledged bank deposits with an amount of approximately RMB21.2 million, which decreased by approximately 36.3% from approximately RMB33.3 million as at December 31, 2016. The balance mainly represented deposits placed in banks as collaterals for the banks to issue letters of credit for the Group's imported raw materials and equipment.

Contractual Obligations

As at December 31, 2017, the Group contractual obligations in an amount of RMB448.3 million, which decreased by approximately 39.0% from approximately RMB734.9 million as at December 31, 2016, primarily due to (i) an approximately RMB215.5 million decrease in capital commitments; (ii) an approximately RMB30.1 million decrease in operating lease commitments; and (iii) an approximately RMB41.0 million decrease in obligation under a financial lease.

Gearing Ratio

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

Events after the Reporting Period

The following events have taken place after December 31, 2017:

- On January 15, 2018, the Company has adopted the restricted share award scheme and appointed Computershare Hong Kong Trustees Limited as the trustee for the administration of the scheme, and approved the grant of 3,122,240 Shares to 259 employees of the Company. For more details, please refer to the Company's announcements dated January 15, 2018 and January 18, 2018.
- Since January 2018, the Group has entered into a series of foreign currencies forward contracts to mitigate the currency risk after obtaining the Board's approval.
- On January 15, 2018, Dr. Chiang Syin, a former U.S. FDA officer, was appointed as the Chief Quality Officer of the Company, his leadership can bring the Company's quality and regulatory organization to a new level. Dr. Syin will accelerate the Group's pace to build a world-class quality organization for biologics commercial manufacturing.
- On January 24, 2018, five internationally recognized scientists, entrepreneurs and visionary thinkers were appointed the Company's newly formed Scientific Advisory Board ("**SAB**"). The SAB will support the Company's mission of becoming a technology leader and a trusted partner for biopharmaceutical companies worldwide to advance the science and technology of biologics development and ultimately benefiting patients worldwide.
- On March 6, 2018, the Company obtained the U.S. FDA's approval for Ibalizumab and became one of the biologics development and manufacturing service providers to obtain the U.S. FDA cGMP validation and officially commenced the first commercial manufacturing project, validating the Company's full industry chain. The medication had been granted fast-track application, priority review, breakthrough therapy and orphan drug designations. It is the first drug in a new class of antiretroviral medications that can provide significant benefit to patients who have run out of HIV treatment options.

Directors and Senior Management

DIRECTORS

Executive Directors

Dr. Zhisheng Chen (陳智勝), aged 45, was appointed as an executive Director and chief executive officer in February 2014 and January 2016, respectively. He is also the chairman of the Strategy Committee of the Company. Dr Chen is primarily responsible for the overall management of the business of the Group. He joined the Group in June 2011 and also serves as a director of most subsidiaries of the Company. From June 2011 to January 2016, Dr. Chen served as a senior vice president of WuXi AppTec (Shanghai) Co., Ltd. (上海藥明康德新藥開發有限公司), and was responsible for the management of biologics development and manufacturing. From August 2008 to June 2011, Dr. Chen served as the chief operating officer of Shanghai Celgen Bio-Pharmaceutical Co., Ltd. (上海賽金生物醫藥有限公司) and was responsible for the development, manufacturing and quality control of biologics. From November 2005 to August 2008, Dr. Chen served as a director and senior engineering consultant of Eli Lilly and Company, a global pharmaceutical company listed on NYSE (stock code: LLY), and was responsible for running a clinical manufacturing facility and providing technical guidance to biologics development and manufacturing. From June 2000 to November 2005, Dr. Chen served as a process engineer and manager of Merck & Co. Inc., a pharmaceutical company listed on NYSE (stock code: MRK) ("**Merck**"), and was responsible for providing technical support and trouble-shooting manufacturing issues of biologics and recombinant vaccines. Dr. Chen obtained a bachelor's degree in chemical engineering from Tsinghua University in June 1994 and a Ph.D. degree in chemical engineering from University of Delaware in June 2000.

Dr. Weichang Zhou (周偉昌), aged 54, was appointed as an executive Director, chief technology officer and senior vice president in May 2016, November 2016 and April 2015, respectively. He is primarily responsible for overseeing the development and manufacturing of biologics. He joined the Group in December 2012 as the vice president, responsible for the management of biologics development and manufacturing. Prior to joining the Group, Dr. Zhou served as a senior director of Genzyme Corporation from March 2008 to December 2012, and was responsible for commercial cell culture process development. From October 2002 to February 2008, Dr. Zhou served as a senior director of PDL BioPharma Inc., a biopharmaceutical company listed on NASDAQ (stock code: PDLI), and was responsible for process sciences and engineering functions. From May 1994 to October 2002, Dr. Zhou served as up to an associate director of Merck, and was responsible for fermentation and cell culture process development. Dr. Zhou obtained a bachelor's degree in chemical engineering from Jiangxi University of Technology (江西工學院) in the PRC in July 1982. He also obtained a Ph.D. degree in chemical engineering and biotechnology from University of Hannover in Germany in June 1989.

Non-executive Directors

Dr. Ge Li (李革), aged 51, was appointed as the chairman and a non-executive Director in February 2014. He is also the chairman of the Nomination Committee and a member of the Strategy Committee of the Company. Dr. Li is primarily responsible for providing overall guidance on the business, strategy and corporate development of the Group. He founded the Group in May 2010 and also serves as a director of most subsidiaries of the Company. Since December 2000, Dr. Li has been serving as the chairman and the chief executive officer of WuXi AppTec, and has been responsible for its overall management. From December 2011 to August 2015, he served as an independent non-executive director of Shanghai Hile Bio-pharmaceutical Co., Ltd. (上海海利生物技術股份有限公司), a company listed on Shanghai Stock Exchange (上海證券交易所) (stock code: 603718), and was responsible for providing independent advice to its board of directors. From August 2007 to December 2015, Dr. Li served as the chairman and the chief executive officer of WuXi PharmaTech and was responsible for its overall management. From May 1993 to December 2000, Dr. Li was one of the founding scientists and latest served as a research manager of Pharmacopeia Inc., a biopharmaceutical company listed on NASDAQ (stock code: PCOP), and was responsible for managing external research collaboration. Dr. Li obtained a Ph.D. degree in organic chemistry from Columbia University in the United States in February 1994. He was appointed as a director of the Scripps Research Institute (TSRI), a private non-profit research organization, in February 2017.

Mr. Edward Hu (胡正國), aged 55, was appointed as a non-executive Director in February 2014. He is a member of the Audit Committee and Remuneration Committee of the Company. Mr. Hu is primarily responsible for providing guidance on the business strategy, financial management and new business development of the Group. He joined the Group in May 2010 and also serves as a director of most subsidiaries of the Company. Since March 2016, Mr. Hu has been serving as a director of WuXi AppTec, and is responsible for its overall management. Since April 2014, Mr. Hu has been serving as the chief financial officer and chief investment officer of WuXi AppTec and is responsible for its financial management and investment. From March 2009 to April 2014, Mr. Hu served as the chief financial officer and chief operating officer of WuXi AppTec and was responsible for its finance and operations. From August 2007 to February 2009, Mr. Hu served as an executive vice president and chief operating officer of WuXi AppTec and was responsible for its business operations. From October 2000 to July 2007, Mr. Hu served on various roles to become a senior vice president and chief operating officer of Tanox Inc., and was responsible for company operations, quality control, finance and information technology. From April 1998 to October 2000, Mr. Hu served as a business planning manager of Biogen Inc., a global biotechnology company listed on NASDAQ (stock code: BIIB), and was responsible for business planning and budget management of its research and development division. From May 1996 to December 1998, Mr. Hu served as a senior financial analyst of Merck, and was responsible for financial planning and analysis. Mr. Hu obtained a bachelor's degree in physics from Hangzhou University, currently known as Zhejiang University (浙江大學), in the PRC in July 1983. He also obtained a master's degree in chemistry and a master of science's degree in industrial administration (MBA) from Carnegie Mellon University in the United States in May 1993 and May 1996, respectively.

Mr. Yibing Wu (吳亦兵), aged 50, was appointed as a non-executive Director in May 2016. He is also a member of the Strategy Committee of the Company. Mr. Wu is primarily responsible for providing guidance on corporate strategy and governance for the Group. He joined the Group in May 2016. Prior to joining the Group, Mr. Wu has been serving as a director of Summer Bloom Investments Pte. Ltd. since November 2015. Since October 2013, Mr. Wu has been working with Temasek International Pte. Ltd. and is currently the joint head of Portfolio Strategy and Risk Group and the joint head of China. From April 2011 to April 2014, Mr. Wu served as a director of Neptune Orient Lines Limited, a company listed on the Singapore Exchange Limited (stock code: RE2). From December 2009 to September 2013, Mr. Wu served as the president of CITIC Private Equity Funds Management Co., Ltd. From January 2012 to September 2013, Mr. Wu served as the chairman and chief executive officer of CITIC Goldstone Investment Co. Ltd. From May 2009 to July 2013, Mr. Wu served as a non-executive director of Lenovo Group Limited, a company listed on the Main Board (stock code: 0992). From September 2008 to November 2009, Mr. Wu served as the executive vice president of Legend Holdings Co., Ltd. From August 2004 to August 2008, Mr. Wu was seconded from McKinsey & Company as the chief strategy officer, chief integration officer, chief transformation officer and chief information officer of Lenovo Group Ltd. From September 1996 to August 2008, he worked with McKinsey & Company, where he was a senior partner, the head of Asia Pacific M&A practice and general manager of Beijing office. Mr. Wu obtained a bachelor's degree in molecular biology from University of Science and Technology of China (中國科學技術大學) in the PRC in July 1989 and a Ph.D. degree in biochemistry and molecular biology from Harvard University in the United States in June 1996.

Mr. Yanling Cao (曹彥凌), aged 34, was appointed a non-executive Director in May 2016. He is primarily responsible for providing guidance on corporate strategy and governance to the Group. He joined the Group in May 2016. Prior to joining the Group, Mr. Cao has been serving as the managing director of Boyu Capital Advisory Company Limited (博裕投資顧問有限公司) and has been responsible for sourcing, evaluating and managing private equity transactions, with a particular focus in the healthcare industry. From December 2007 to January 2011, Mr. Cao served as an investment professional of General Atlantic LLC, and was responsible for private equity and venture capital investment. From July 2006 to November 2007, Mr. Cao served as an investment banker of Goldman Sachs Asia LLC, and was responsible for providing investment banking advisory services to clients in Asia. Mr. Cao obtained a bachelor's degree in economics and mathematics from Middlebury College in the United States in June 2006. In addition, Mr. Cao was a director of CStone Pharmaceuticals for the period from April 1, 2016 to March 27, 2017.

Independent non-executive Directors

Mr. William Robert Keller, aged 70, was appointed as an independent non-executive Director on May 17, 2017. He is the chairman of the Remuneration Committee, a member of the Audit Committee and Nomination Committee of the Company. Mr. Keller is primarily responsible for supervising and providing independent opinion to the Board. He joined the Group in May 2017. Prior to joining the Group, he has been serving as the chairman of Coland Pharmaceutical Co.,Ltd. (康聯藥業有限公司), a company listed on Taiwan Stock Exchange (stock code: 4144) since December 2010, and has been responsible for providing business advice to the company. From September 2014 to December 2015, Mr. Keller served as an independent director of WuXi PharmaTech and was responsible for providing independent advice to the board of the company. From December 2009 to May 2015, Mr. Keller served as a director of Alexion Pharmaceuticals, Inc., a company listed on NASDAQ (stock code: ALXN), and was responsible for providing independent advice to the board of the company. From February 2003 to June 2014, Mr. Keller served as the founder and principal of Keller Pharma Consultancy (Shanghai) Co. Ltd. (凱樂醫藥諮詢(上海)有限公司) and was responsible for market entry and strategy consulting. From March 2003 to June 2014, Mr. Keller served as the deputy general manager of Shanghai Zhangjiang Biotech and Pharmaceutical Base Development Co., Ltd. (上海張江生物醫藥基地開發有限公司) and was responsible for consulting of pharmaceutical and biotechnological startups' industry development in the park. From May 2007 to April 2010, Mr. Keller served as the chairman of HBM Biomed China Partners Ltd. and was responsible for investment in biotechnology companies. From December 2007 to December 2014, Mr. Keller served as a director and later a supervisor of TaiGen Biopharmaceuticals Holding Limited (太景醫藥研發控股股份有限公司), a company listed on Taiwan Stock Exchange (stock code: 4157), and was responsible for overseeing financial matters. From June 1997 to December 2013, Mr. Keller served as the deputy chairman of the Shanghai Association of Enterprises with Foreign Investment (上海市外商投資企業協會), and was responsible for supporting foreign invested companies as a business advisor. From March 2003 to December 2013, Mr. Keller served as a senior consultant of the Shanghai Foreign Investment Development Board (上海市外國投資促進中心) and was responsible for providing advice regarding foreign investment development. Mr. Keller obtained a bachelor of science's degrees from the School of Economics and Business Administration in Zurich, Switzerland in July 1972.

Mr. Teh-Ming Walter Kwauk (郭德明), aged 65, was appointed as an independent non-executive Director on May 17, 2017. He is the chairman of the Audit Committee and a member of the Nomination Committee of the Company. Mr. Kwauk is primarily responsible for supervising and providing independent opinion to the Board. Mr. Kwauk joined the Group in May 2017. Prior to joining the Group, he has been serving as an independent director and chairman of the audit committee of Alibaba Group Holding Limited (阿里巴巴集團控股有限公司), a company listed on NYSE (stock code: BABA), since September 2014. Mr. Kwauk also served as an independent non-executive director and the chairman of the audit committee of China Fordoo Holding Limited (中國虎都控股有限公司), a company listed on the Main Board (stock code: 2399), from June 2014 to August 2016. From August 2014 to December 2015, Mr. Kwauk served as an independent director of WuXi PharmaTech and was responsible for providing independent judgement to the board of the company. Since October 2012, he has been serving as an independent non-executive director and the chairman of the audit committee of Sinosoft Technology Group Limited (中國擎天軟件科技集團有限公司), a company listed on the Main Board (stock code: 1297). Since January 2003, Mr. Kwauk has been serving as a senior consultant and a vice president of Motorola Solutions (China) Co., Ltd. (摩托羅拉系統 (中國) 有限公司), and has been responsible for providing advice on corporate strategic, finance and tax. Mr. Kwauk was a partner of KPMG, an accounting firm primarily engaged in providing audit, advisory and tax services from 1977 to 2002, and was responsible for audit. Mr. Kwauk obtained a bachelor's degree in science in April 1975 and a licentiate's degree in accounting in April 1977 from the University of British Columbia in Canada. He has been an associate member of Hong Kong Institute of Certified Public Accountants since March 1983.

Mr. Wo Felix Fong (方和), BBS, JP, aged 67, was appointed as an independent non-executive Director on May 17, 2017. He is member of the Remuneration Committee of the Company. Mr. Fong is primarily responsible for supervising and providing independent opinion to the Board. Mr. Fong joined the Group in May 2017. Since August 1988, he has been working in King & Wood Mallesons (formerly known as Robert Lee & Fong, Felix Fong & Hon, Fong & Ng, Arculli Fong & Ng and King & Wood) and has been responsible for legal matters in corporate and financial areas of practice. From May 2010 to May 2016, Mr. Fong served as an independent non-executive director of China Oilfield Services Limited (中海油田服務股份有限公司), a company listed on the Main Board (stock code: 2883) and on Shanghai Stock Exchange (stock code: 601808). Mr. Fong has also been serving as an independent non-executive director of various companies listed on the Main Board, namely Xinming China Holdings Limited (新明中國控股有限公司) (stock code: 2699) since June 2015, Sheen Tai Holding Group Company Limited (順泰控股集團有限公司) (stock code: 1335) since June 2012, China Investment Development Limited (中國投資開發有限公司) (stock code: 204) since April 2011, Evergreen International Holdings Limited (長興國際(集團) 控股有限公司) (stock code: 238) since October 2010, Guangdong Land Holdings Limited (粵海置地控股有限公司) (stock code: 124) since January 2007 and Greenland Hong Kong Holdings Limited (綠地香港控股有限公司) (stock code: 337) since September 2006. Mr. Fong obtained a bachelor's degree in engineering from McMaster University in Canada in June 1974 and a Juris Doctor degree from Osgoode Hall Law School of York University in Canada in June 1978. Mr. Fong was admitted as a solicitor in England and Wales in September 1986 and in Hong Kong in February 1987. Mr. Fong was appointed by the Ministry of Justice of China (中華人民共和國司法部) as one of the China-appointed Attesting Officers in Hong Kong in June 1993.

SENIOR MANAGEMENT

For the biographies of Dr. Zhisheng Chen (陳智勝) and Dr. Weichang Zhou (周偉昌), please refer to "Directors — Executive Directors".

Ms. Christine Shaohua Lu-Wong (盧韶華), aged 49, is the chief financial officer of the Company. Ms. Lu-Wong is primarily responsible for overall financial management, capital market management, and merger and acquisition activities of the Group. She joined our Group in January 2016 and was appointed current position in January 2016. Prior to joining our Group, Ms. Lu-Wong served as the chief financial officer of Xueda Education Group (學大教育集團), a company previously listed on NYSE (stock code: XUE) from November 2012 to December 2015, and was responsible for overall financial management of the company. From January 2010 to November 2012, she served as the chief financial officer of HiSoft Technology International Limited (海輝軟件 (國際) 集團) (currently known as Pactera Technology International Ltd.), a company previously listed on NASDAQ (stock code: HSFT) and primarily engaged in the provision of consulting and technology services, and was responsible for overall financial management of the company. From August 2007 to August 2009, she served as the vice president of finance of WuXi PharmaTech and was responsible for the financial operation of the company. Ms. Lu-Wong obtained a bachelor's degree in foreign trade and economics from Guangdong University of Foreign Studies (廣東外語外貿大學) in the PRC in July 1990, and an MBA degree in accounting from Golden Gate University in the United States in April 1994. Ms. Lu-Wong obtained the qualification as a certified public accountant in the State of California, United States, in 1998.

Dr. Chiang Syin (辛強), aged 63, is the chief quality officer of the Company, who is responsible for global quality management for the Company, including, quality assurance, quality control and regulatory affairs. Dr. Syin has over 28 years of experience in FDA regulatory review and Good Manufacturing Practice (GMP) compliance of biological and biotech products. Prior to joining the Company, he was a Gates Project International Expert for the Center of Food & Drug Inspection (CFDI) of CFDA. Before his retirement from the U.S. FDA in February 2017, he served as the FDA Associate Country Director managing the office's drug and device inspection program. Prior to joining the China office, he served as a branch chief in the office of compliance and biologics quality of the Center for Biologics Evaluation and Research (CBER). In this position, he provided leadership and program guidance to the staff engaged in Chemistry, Manufacturing and Control (CMC) reviews and GMP inspections for pre-marketing license applications and post-marketing changes of the biological products. He joined CBER in 1988 after his postdoctoral training in National Institute of Allergy and Infectious Diseases (NIAID), National Institutes of Health (NIH) and performed regulatory reviews of IND and Biologics License Applications (BLA) in addition to malaria research. From 1998 to 2012, he worked in the Offices of Vaccines, Blood and Compliance in CBER. In 2003, he moved briefly to Center for Drug Evaluation and Research (CDER) with the transfer of therapeutic biotech products and established the biotech inspection group in CDER before returning to CBER. Dr. Syin has been actively involved in FDA drug/biologics regulatory policy and guidance development that includes drafting Vaccines CMC and Phase I GMP guidance documents as well as the 2011 Process Validation guidance revision. Dr. Syin received his Ph.D. degree in chemistry from the Catholic University of America, Washington, D.C. and a bachelor's degree of science in biology from the Tunghai University (東海大學) in Taiwan.

Dr. Jing Li (李競), aged 46, is the senior vice president of the Company. Dr. Li is primarily responsible for overseeing the biologics discovery department of the Group. Dr. Li joined the Group in December 2013 as a vice president of WuXi Biopharma and was appointed current position in October 2016. Prior to joining the Group, from October 2005 to November 2013, Dr. Li served as a senior manager of the alliance management and portfolio management, laboratory head and program team head of Novartis International AG, a global biopharmaceutical company listed on NYSE (stock code: NVS) and primarily engaged in the research and development of medicine and vaccines, and was responsible for leading biologics drug discovery programs, managing company-wide biologics portfolio and managing company strategic alliance with external partners on biologics drug discovery technologies and programs. From November 2001 to October 2005, he served as the project team leader of Pfizer Inc., a global pharmaceutical corporation listed on NYSE (stock code: PFE) primarily engaged in the research and development of chemicals, biological agents and vaccines, and was responsible for leading biologics drug discovery programs. Dr. Li obtained a bachelor's degree in basic medicine and a doctor's degree in oncology from Beijing Medical University (北京醫科大學) (currently known as Peking University Health Science Center (北京大學醫學部)) in the PRC in July 1993 and June 1998, respectively and obtained an MBA degree from Yale University in the United States in May 2010. He also conducted postdoctoral research in immunology in Tufts University in the United States from September 1998 to October 2001.

Mr. Jian Dong (董健), aged 54, is a vice president of the Company. Mr. Dong is primarily responsible for managing clinical medicine production and commercial production of bio-pharmaceuticals. Mr. Dong joined the Group in April 2014 as an executive director of WuXi Biopharma and was appointed current position in October 2015. Prior to joining the Group, from May 2013 to May 2014, he served as the deputy general manager of Shanghai United Cell Biotechnology Co., Ltd. (上海聯合賽爾生物工程有限公司), a company primarily engaged in manufacturing, sales and development of recombinant biologic products, and was responsible for managing the production and quality management system, research and development system, and engineering system. From May 2013 to May 2014, he also served as the deputy general manager of Unilab Biosciences Private Limited, and was responsible for new product introduction. From May 2009 to April 2013, he served as a vice president of Shanghai Celgen Bio-Pharmaceutical Co., Inc. (上海賽金生物醫藥有限公司), and was responsible for manufacturing and quality management. From April 2005 to May 2009, he served as a senior process engineer of EL&Co, and was responsible for cell culture process development for antibodies. From April 2005 to December 2006, he served as a biologist of Applied Molecular Evolution, Inc., and was responsible for GMP cell culture production. From March 2000 to April 2005, he served as a research scientist of BioAge Pharmaceuticals, Inc., and was responsible for pharmaceuticals research and development. From August 1988 to March 2000, he served as the manager of genetic engineering department, assistant general manager and vice chief engineer in Shenzhen Kangtai Biological Products Co., Ltd. (深圳康泰生物製品有限公司), and was responsible for technology transfer and manufacturing management. Mr. Dong obtained a bachelor's degree in biology in July 1985 and a master's degree in biology in September 1988 from University of Wuhan (武漢大學) in the PRC. He obtained the qualification as a certified senior pharmaceutical engineer (製藥高級工程師) granted by Personnel Department of Guangdong Province (廣東省人事廳) in December 1996.

Mr. Angus Scott Marshall Turner, aged 50, is a vice president of the Company. Mr. Turner is primarily responsible for the overall business development, strategic alliances and partnerships of the Group. Mr. Turner joined the Group in September 2016. Prior to joining the Group, from November 2010 to June 2016, he served as the director of Sales Europe and Asia, and latterly head of Sales Europe, for Lonza AG, a Swiss-based supplier of product and services to the global pharmaceutical, healthcare and life science industries, and was responsible for recruiting, training and development of the sales team and successful implementation of sales strategies across all technologies in the contract manufacturing business unit. From March 2004 to November 2008, he served as the director of business development, Europe and Asia, for AppTec Laboratory Services, Inc., a company primarily engaged in biopharmaceutical and medical device testing and biologics-based manufacturing and related services. Upon the acquisition of AppTec Laboratory Services, Inc. by WuXi PharmaTech in 2008 and until November 2010, he served as a director of international biopharmaceutical business development of WuXi PharmaTech, and was responsible for business development across Europe and Asia. From October 2002 to March 2004, he served as a business development manager, Europe, for Excell Biotech, a company engaged in contract development and manufacturing of biologic drugs, and was responsible for developing client pipeline and customer base across Europe. Mr. Turner obtained at bachelor's degree in biology from Stirling University in the United Kingdom in June 1990 and a Master's degree in biotechnology from Strathclyde University in the United Kingdom in November 1991. He also obtained an MBA degree from Warwick Business School in the United Kingdom in July 2001.

Directors' Report

The Directors are pleased to present this annual report and the audited consolidated financial statements of the Group for the year ended December 31, 2017.

Principal Activities

The Company, together with its subsidiaries, is principally engaged in the provision of end-to-end solutions and services for biologics discovery, development and manufacturing to customers involving in biologics industry in both the PRC and other overseas countries.

A list of the Company's subsidiaries, together with their places of incorporation, principal activities and particulars of their issued shares/paid up capital, is set out in note 35 to the consolidated financial statements in this annual report.

Business Review

A review of the business of the Group during the year, a discussion and analysis on the Group's future business development and the financial and operational key performance indicators employed by the Directors in measuring the performance of the Group's business are set out in the sections headed "Chairman and CEO Statement" on pages 4 to 5 of this annual report,"Financial Summary" on pages 6 of this annual report, and "Management Discussion and Analysis" on pages 7 to 23 of this annual report. The financial risk management objectives and policies of the Group are set out in note 28 to the consolidated financial statements in this annual report. Significant events that have an effect on the Group subsequent to the financial year ended December 31, 2017 are set out in note 39 to the consolidated financial statements in this annual report. Besides, principal risks and uncertainties faced by the Group, key relationship between the Group and its employees, customers and suppliers, environmental policies of the Group and compliance with the relevant laws and regulations which have significant impact are set out below. These sections constitute part of this Directors' Report.

In addition, more details regarding the Group's performance by reference to environmental and social-related key performance indicators and policies, as well as compliance with relevant laws and regulations which have a significant impact on the Company are provided in the section headed "Environmental, Social and Governance Report" of the on pages 63 to 96 of this annual report.

Directors

The Directors during the Reporting Period and up to the date of this Directors' Report were:

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

Non-executive Directors
Dr. Ge Li *(Chairman)*
Mr. Edward Hu
Mr. Yibing Wu
Mr. Yanling Cao

Independent non-executive Directors
Mr. William Robert Keller
Mr. Teh-Ming Walter Kwauk
Mr. Wo Felix Fong

Biographies of the Directors and Senior Management

The biographical details of the Directors and the senior management of the Company are set out in the section headed "Directors and Senior Management" on pages 24 to 31 of this annual report.

Service Contracts of the Directors

Each of the executive Directors has entered into a three-year service contract with the Company effective from February 28, 2017 or their respective appointment dates, subject to termination before expiry by either party giving not less than three months' notice in writing to the other. Each of the non-executive Directors and independent non-executive Directors has entered into a letter of appointment with the Company which commenced from February 28, 2017 or their respective appointment dates for an initial term of three years and shall be terminable by either party giving not less than three months' notice in writing to the other.

None of the Directors proposed for re-election at the forthcoming AGM has a service contract with the Company or any member of the Group which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

Remuneration of the Directors and Five Highest Paid Individuals

Details of the Directors' remuneration and the five highest paid individuals in the Group are set out in note 11 to the consolidated financial statements in this annual report.

Employees and Remuneration Policies

As of December 31 2017, the Group had a total of 2,543 employees, of whom 1,182 were located in Shanghai, 1,226 were located in Wuxi, Jiangsu Province, 116 were located in Suzhou, Jiangsu Province, and 19 were located in the United States and the United Kingdom. The staff costs, including Directors' emoluments but excluding any contributions to retirement benefit scheme contributions and share-based payment expenses, were approximately RMB394.8 million for the year ended December 31, 2017, as compared to approximately RMB244.1 million for the year ended December 31, 2016. The remuneration package of employees generally includes salary and bonus elements. In general, the Group determines the remuneration package based on the qualifications, position and performance of its employees. The Group also makes contributions to social insurance fund, including basic pension insurance, medical insurance, unemployment insurance, childbirth insurance, work-related injury insurance funds, and housing reserve fund as applicable to the countries where the Group operates.

The Group has adopted the Pre-IPO Share Option Scheme to provide incentive or reward to eligible participants for their contribution or potential contribution to the Group. Details of the Pre-IPO Share Option Scheme are set out on pages 44 to 45 and note 34 to the consolidated financial statements in this annual report.

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

The 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 the prevailing market conditions are taken into consideration in determining the emolument of the Directors and senior management.

Independence of Independent Non-Executive Directors

The Company has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all of the independent non-executive Directors are independent in accordance with the guidelines set out in the Listing Rules.

Non-Competition Undertakings

As disclosed in the Prospectus, each of the Controlling Shareholders has undertaken to the Company in a deed of non-competition that, subject to and except as mentioned in the Prospectus, it would not, and would procure their close associates (except any member of the Group) not to, directly or indirectly (whether in the capacity of principal or agent, whether for its own benefit or jointly with or on behalf of any person, firm or company, whether within or outside China), commence, engage in, participate in or acquire any business which competes or may compete directly or indirectly with the Group's core business of providing services for the discovery, development and manufacturing of biologics or own any rights or interests in such business. Each of the Controlling Shareholders has confirmed in writing to the Company of its compliance with the deed of non-competition for disclosure in this annual report during the year ended December 31, 2017. No new business opportunity was informed by them as at December 31, 2017.

The independent non-executive Directors have reviewed the implementation of the deed of non-competition and are of the view that the non-competition undertakings have been complied with by the Controlling Shareholders for the year ended December 31, 2017.

Directors' Interests in Competing Businesses

Saved as disclosed in this annual report, as at December 31, 2017, none of the Directors or their respective associates had engaged in or had any interest in any business which competes or may compete with the business of the Group.

Directors' Interests in Transaction, Arrangement or Contract of Significance

Save as disclosed in this annual report, there was no transaction, arrangement or contract of significance subsisted in which a Director or an entity connected with a Director was materially interested, whether directly or indirectly, during or at the end of the Reporting Period.

Connected Transactions

Details on related party transactions for the year ended December 31, 2017 are set out in note 33 to the consolidated financial statements. Details of any related party transactions which also constitute connected transactions or continuing connected transactions not fully exempted under Rule 14A.73 of the Listing Rules are dislcosed below.

I. Non-exempt One-off Connected Transaction

On December 26, 2017, the Company, through its indirect wholly-owned subsidiary, Shanghai Biologics entered into an equipment transfer agreement with WXAT Shanghai, a wholly-owned subsidiary of WuXi AppTec, pursuant to which WXAT Shanghai agreed to transfer certain biologics laboratory equipment owned by WXAT Shanghai to Shanghai Biologics at a consideration of approximately RMB39,976,000 (inclusive of relevant tax). Given that WXAT Shanghai is a wholly-owned subsidiary of WuXi AppTec, which is a connected person of the Company, WXAT Shanghai is therefore deemed to be a connected person of the Company. As such, the transaction constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. The transaction contemplated thereunder was subject to the reporting and announcement requirements but was exempt from the circular and shareholders' approval requirements under Rule 14A.76(2) of the Listing Rules. The Directors were of the view that the transaction was fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of the Company, and in the interest of the Company and its Shareholders as a whole. For details of the transaction, please refer to the Company's announcement made on December 26, 2017 on the respective websites of the Stock Exchange and the Company.

II. Non-exempt Continuing Connected Transaction

On May 17, 2017, the Company entered into a number of non-exempt continuing connected transactions. These connected transactions of the Company are also related party transactions, which are disclosed in note 33 to the consolidated financial statements in this annual report.

The table below set out the annual caps and the actual transaction amount of such continuing connected transactions for the year ended December 31, 2017:

	Connected Transactions	Connected Person	Description	Pricing Policy	Annual cap for the year ended December 31, 2017 (RMB million)	Actual Transaction Amount for the year ended December 31, 2017 (RMB million)
1	Testing Service Framework Agreement	WuXi AppTec	Provision of certain testing services to the Group	Standard pricing used by the WuXi AppTec for all its customers	17.6	16.1
2	General Service Framework Agreement	WXAT Shanghai	Provision of utility billing services to the Group	Actual utility cost with no additional margin charged	4.3	—
3.	Equipment Lease Framework Agreement (Terminated on December 26, 2017)	WXAT Shanghai	Lease certain biologics laboratory equipment to the Group	5% margin upon the annual amortization amount of the leased equipment	11.9	11.1
4.	Procurement Service Framework Agreement (Terminated on December 26, 2017)	WXAT Shanghai	Provision of procurement services for raw material and equipment and provision of ancillary logistics and warehousing services to the Group	3% premium charged upon the costs of relevant raw materials and equipment	70.1	37.0
5	Research and Development Service Framework Agreement	WX MedImmune	The Group to provide certain research and development services to WX MedImmune	Service fee determined through arm's length negotiation	20.0	10.9

For detailed terms of the non-exempt continuing connected transactions mentioned above, please refer to the Prospectus.

The independent non-executive Directors have reviewed each of the above mentioned continuing connected transactions and confirmed that the transactions have been entered into:

(1) in the ordinary and usual course of business of the Group;

(2) on normal commercial terms or better; and

(3) according to the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The non-exempt continuing connected transactions in relation to the Equipment Lease Framework Agreement and the Procurement Service Framework Agreement (as defined in the Prospectus) dated May 17, 2017 entered into between the Company and WXAT Shanghai were terminated on December 26, 2017. For details of the termination, please refer to the Company's announcement made on December 26, 2017 on the respective websites of the Stock Exchange and the Company.

The auditor of the Company was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing the conclusions in respect of the above-mentioned continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

In respect of the above-mentioned non-exempt connected transactions, the Directors also confirmed that the Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules.

During the Reporting Period, there was no connected transaction of the Group which has to be disclosed in accordance with the Listing Rules, save for the foregoing.

Risk Management

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

Regulatory Risk

The biologics industry, as a division of the pharmaceutical and healthcare industry has seen great changes in recent years. In 2017 CFDA continued to implement various new policies according to established guidelines and pace of reforms. Important reforms, such as the Clinical Trials Management, the Patent Linkage System, the Innovative Drugs Medical Insurance Access, the implementation of MAH, the foreseeable abolition of GCP (Good Clinical Practice), GMP (Good Manufacturing Practice) certification system, zero tariff on the imported anti-cancer drugs, all have or will have a far-reaching impact on the players of the industry. In addition, the punishment becomes much stricter and more specific and supervision and inspection from government will come in higher frequencies. In response to this, the Group sticks to the strategies of "Innovation" and "Globalization" to handle the keep changing regulations. The Group has formed a dedicated Regulatory Affairs team which comprises members with years of experiences and diversified backgrounds in both domestic and overseas markets. The team members are responsible for actively monitoring new or updated guidance published by regulatory agencies and implementing the changes needed to stay in compliance with such guidance.

Interest Rate Risk

The Group is exposed to fair value interest rate risk in relation to fixed rate pledged bank deposits and time deposits. The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances. Since the Group has repaid in full the bank borrowings during the year ended December 31 2017, the Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances. The Group currently does not have an interest rate hedging policy to mitigate interest rate risk; nevertheless, the management will closely monitor interest rate exposure and will consider hedging significant interest rate risk when needed.

Credit Risk

During the Reporting Period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is the carrying amount of the respective recognized financial assets as stated in the consolidated statements of financial position. In order to minimize the credit risk, the management has designated a team responsible for reviewing and monitoring the credit exposure of customers by sending confirmations and initiating collection procedures to promptly recover overdue debts. With more new customers introduced, the management has also made efforts to enhance the credit review and approval processes to monitor the overall risk exposure. In addition, the Directors review the recoverability of each significant trade debt (both billed and unbilled) at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

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

Liquidity Risk

The Group's primary uses of cash are to fund working capital and capital expenditures. During the Reporting Period, the Group funded its cash requirements principally from cash generated from operations and funds raised from global offerings.

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents and unused banking facilities deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

As at December 31, 2017, there was a balance of unutilized net proceeds of approximately RMB1,858.0 million kept at the bank accounts of the Group.

Currency Risk

The Group principally operates in the PRC with a major portion of the procurements being settled in RMB, which is the functional currency of the Group's entities. The Group also has certain subsidiaries in foreign operations. Foreign exchange risk arises from the recognised revenue and expenses, assets and liabilities and net investments in foreign operations. The Group's entities are exposed to foreign exchange risk of foreign currencies other than their functional currencies, primarily with respect to the U.S. dollars.

During the Reporting Period, a majority of the Group's revenue was generated from sales denominated in U.S. dollar, while most of the cost of services and operation costs and expenses of the Group were settled in RMB. As a result, the Group's margins are pressured when the Renminbi appreciates against the U.S. dollar. As at December 31, 2017, the Group also records monetary assets and liabilities denominated in U.S. dollar, including the unused portion of IPO proceeds that the Group received in June 2017. Such net assets in U.S. dollar are exposed to foreign exchange risk through year-end revaluation, when the Renminbi appreciates against the U.S. dollar.

The Group seeks to limit its exposure to foreign currency risk by closely monitoring and minimizing its net foreign currency position. Since January 2018, the Group has engaged into a series of forward contracts to hedge its cash flow. (The Group did not record any derivative financial instrument on book as at December 31, 2017.)

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

As at December 31, 2017, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept pursuant to Section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(I) Interests in shares or underlying shares of the Company

Name of Director	Capacity/Nature of interest	Number of Shares/ underlying Shares[1]	Approximate percentage of shareholding interest
Dr. Ge Li	Interests of controlled corporations[2] Interests of parties acting in concert[3]	786,257,697 (L)	67.60%
Mr. Edward Hu	Beneficial owner	1,441,500 (L)	0.12%
Dr. Zhisheng Chen	Beneficial owner Beneficial owner[4]	711,418 (L) 40,844,000 share options (L)	0.06% 3.51%
Dr. Weichang Zhou	Beneficial owner[4]	6,581,000 share options (L)	0.57%

Notes:

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

(2) Dr. Ge Li controlled, directly and indirectly, the exercise of 59.58% and 100% of the voting power at general meetings of Biologics Holdings and G&C VII Limited, respectively. Hence, Dr. Ge Li is deemed to be interested in 727,703,017 Shares and 54,602,361 Shares held by Biologics Holdings and G&C VII Limited, respectively.

(3) Dr. Ge Li entered into an acting-in-concert agreement dated June 30, 2016 with Dr. Ning Zhao, Mr. Zhaohui Zhang and Mr. Xiaozhong Liu to acknowledge and confirm their acting-in-concert relationship in relation to the Company. Hence, Dr. Ge Li is deemed to be interested in 1,778,544 Shares and 2,173,775 Shares interested by Mr. Zhaohui Zhang and Mr. Xiaozhong Liu, respectively.

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

(II) Interests in shares or underlying shares of the associated corporations of the Company

Name of Director	Name of associated corporation	Capacity/Nature of interest	Number and class of shares/ underlying shares in the associated corporation[1]	Approximate percentage of interest in the associated corporation
Dr. Ge Li	Biologics Holdings	Interests of controlled corporations	193,661 Class A ordinary shares (L) [2]	59.58%
	Life Science Holdings	Interests of controlled corporations	65,393,491 ordinary shares (L) [3]	18.44%

Notes:

(1) The letter "L" denotes the person's long position in the shares.

(2) Dr. Ge Li controlled, directly and indirectly, the exercise of 59.58% of the voting power at the general meetings of Biologics Holdings.

(3) Dr. Ge Li controlled, directly and indirectly, the exercise of 10.06% and 8.38% of the voting power at the general meetings of Life Science Holdings through G&C IV Limited and Shanghai Xiaozhong Investment Center (Limited Partnership), respectively.

Save as disclosed above, as at December 31, 2017, so far as it was known to the Directors or chief executive of the Company, none of the Directors or chief executive of the Company had interests or short positions in the Shares, underlying Shares and debentures of the Company or its associated corporations as recorded in the register required to be kept, pursuant to Section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at December 31, 2017, so far as it was known to the Directors or chief executive of the Company, the following persons (other than the Directors and chief executive of the Company) had interests and/or short positions in the Shares or underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO.

Interests in shares or underlying shares of the Company

Name of Shareholder	Capacity/ Nature of interest	Number of Shares[1]	Approximate percentage of shareholding interest
Dr. Ge Li	Interests of controlled corporations[2] Interests of parties acting in concert[4]	786,257,697 (L)	67.60%
Dr. Ning Zhao	Interests of spouse[3] Interests of parties acting in concert[4]	786,257,697 (L)	67.60%
Mr. Zhaohui Zhang	Interests of controlled corporations[5] Interests of parties acting in concert[4]	786,257,697 (L)	67.60%
Mr. Xiaozhong Liu	Interests of controlled corporations[6] Interests of parties acting in concert[4]	786,257,697 (L)	67.60%
Life Science Holdings	Interests of controlled corporations[7]	727,703,017 (L)	62.57%
Life Science Limited	Interests of controlled corporations[7]	727,703,017 (L)	62.57%
WuXi PharmaTech	Interests of controlled corporations[7]	727,703,017 (L)	62.57%
Biologics Holdings	Beneficial owner[7]	727,703,017 (L)	62.57%
The Capital Group Companies, Inc.	Interests of controlled corporation[8]	60,813,731 (L)	5.22%

Notes:

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

(2) Dr. Ge Li controlled, directly and indirectly, the exercise of 59.58% and 100% of the voting power at general meetings of Biologics Holdings and G&C VII Limited, respectively. Hence, Dr. Ge Li is deemed to be interested in 727,703,017 Shares and 54,602,361 Shares held by Biologics Holdings and G&C VII Limited, respectively.

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

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

(5) Mr. Zhaohui Zhang wholly owned i-growth Ltd, which held 1,778,544 Shares. Thus, Mr. Zhaohui Zhang is deemed to be interested in the Shares held by i-growth Ltd.

(6) Mr. Xiaozhong Liu wholly owned I-Invest World Ltd, which held 2,173,775 Shares. Thus, Mr. Xiaozhong Liu is deemed to be interested in the Shares held by I-Invest World Ltd.

(7) Life Science Holdings wholly owned Life Science Limited, which wholly owned WuXi PharmaTech, which in turn controlled 40.42% of the voting power at general meetings of Biologics Holdings. Biologics Holdings directly owned 727,703,017 Shares. Life Science Holdings, Life Science Limited and WuXi PharmaTech are deemed to be interested in the Shares held by Biologics Holdings.

(8) The Capital Group Companies, Inc. wholly controlled Capital Research and Management Company, which directly owned 60,813,731 Shares.

Controlling Shareholders' Interests in Contract of Significance

Save as disclosed in this annual report, no Controlling Shareholders or their subsidiaries had a material interest, either directly or indirectly, in any contract of significance, whether for the provision of services or otherwise, to the Group to which the Company or any of its subsidiaries was a party during the Reporting Period.

Pre-IPO Share Option Scheme

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

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

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

Category of grantees	Date of Grant	Outstanding as at January 1, 2017	Granted during the year	Number of Share Options Exercised during the year	Cancelled during the year	Lapsed during the year	Outstanding as at December 31, 2017
Directors							
Dr. Zhisheng Chen	January 7, 2016	35,000,000	—	—	—	—	35,000,000
	March 15, 2017	—	5,844,000	—	—	—	5,844,000
		35,000,000	**5,844,000**	**—**	**—**	**—**	**40,844,000**
Dr. Weichang Zhou	January 7, 2016	5,750,000	—	—	—	—	5,750,000
	March 15, 2017	—	831,000	—	—	—	831,000
		5,750,000	**831,000**	—	—	—	**6,581,000**
Sub-total		**40,750,000**	**6,675,000**	**—**	**—**	**—**	**47,425,000**
Employees in aggregate							
230 employees	January 7, 2016	42,759,994	—	—	—	2,228,112	40,531,882
24 employees	March 28, 2016	2,412,750	—	—	—	998,000	1,414,750
102 employees	August 10, 2016	5,709,313	—	—	—	139,000	5,570,313
92 employees	November 11, 2016	6,045,000	—	—	—	470,000	5,575,000
321 employees	March 15, 2017	—	14,295,000	—	—	922,000	13,373,000
74 employees	May 12, 2017	—	3,804,000	—	—	46,000	3,758,000
Sub-total		**56,927,057**	**18,099,000**	**—**	**—**	**4,803,112**	**70,222,945**
Total		**97,677,057**	**24,774,000**	**—**	**—**	**4,803,112**	**117,647,945**

The options granted under the Pre-IPO Share Option Scheme shall be exercisable during a period from the vesting date of the option until the expiry of ten years from the date of the grant of the option. Details of the terms and movement of the options granted during the Reporting Period and the impact of options granted under the Pre-IPO Share Option Scheme on the financial statements are set out in the Prospectus and under note 34 to the consolidated financial statements in this annual report.

Major Customers and Suppliers

Major Customers

For the year ended December 31, 2017, the Group's sales to its five largest customers accounted for 39.9%, as compared to 54.1% of the Group's total revenue for the year ended December 31, 2016. The Group's sales to the largest customer accounted for 11.9%, as compared to 18.8% of the Group's total revenue for the year ended December 31, 2016.

Major Suppliers

For the year ended December 31, 2017, the Group's five largest suppliers accounted for 70.2%, as compared to 67.6% of the Group's total purchases for the year ended December 31, 2016. The Group's single largest supplier accounted for 27.0%, as compared to 27.0% of the Group's total purchases for the year ended December 31, 2016.

During the year ended December 31, 2017, none of the Directors or any of their close associates or any Shareholders (which, to the knowledge of the Directors, own more than 5% of the number of issued shares of the Company) had any interest in the Group's five largest customers and suppliers.

Management Contracts

During the Reporting Period, the Company has not entered into any contract with any individuals, firm or body corporate to manage or administer the whole or any substantial part of any business of the Group.

Directors' Permitted Indemnity Provision

Each Director or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he may sustain or incur in or about the execution of the duties of his office or otherwise in relation thereto in accordance with the Articles of Association.

Results and Dividends

The results of the Group for the Reporting Period are set out in the consolidated statement of profit or loss and other comprehensive income on page 102 of this annual report. The Board does not recommended any payment of final dividend for the year ended December 31, 2017.

Share Capital

Details of movements in share capital of the Company during the Reporting Period are set out in note 26 to the consolidated financial statements in this annual report.

Reserves

Details of movements in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity and note 37 to the consolidated financial statements in this annual report.

Details of the Company's reserves available for distribution to the Shareholder as at December 31, 2017 are set out in Note 37 to the consolidated financial statements in this annual report.

Donations

During the Reporting Period, charitable and other donations made by the Group amounted to RMB50,000 (2016: RMB50,000).

Property, Plant and Equipment

Details of movements in property, plant and equipment of the Group during the Reporting Period are set out in note 13 to the consolidated financial statements in this annual report.

Use of Proceeds from Listing

The total proceeds from the issue of new Shares by the Company in its Listing (after deducting the underwriting fees and related Listing expenses) amounted to approximately RMB3,437.8 million[(1)], and the balance of unutilized net proceeds of approximately RMB1,858.0 million as at December 31, 2017.

The net proceeds from the Listing (adjusted on a pro rata basis based on the actual net proceeds) have been and will be utilized in accordance with the purposes set out in the Prospectus. The table below sets out the planned applications of the net proceeds and actual usage up to December 31, 2017:

Use of proceeds	Planned applications (RMB million)	Percentage of total net proceeds (%)	Actual usage up to December 31, 2017 (RMB million)	Unutilized net proceeds as at December 31, 2017 (RMB million)
To repay all of the Group's outstanding bank facilities	1,238.6[(2)]	37%	1,238.6	—
To construct new facilities	1,739.7	52%	238.9	1,500.8
For the Group's working capital and other general corporate purposes	275.9	8%	32.4	243.5
To improve and maintain the Group's existing facilities	113.7[(2)]	3%	—	113.7
Total	3,367.9[(1)]	100%	1,509.9	1,858.0

Notes:

(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.

(2) Net IPO proceeds were received in Hong Kong dollar and translated to Renminbi for application planning. The plan was adjusted slightly due to the fluctuation of the foreign exchange rates since the Listing.

Purchase, Sale or Redemption of Listed Securities of the Company

During the year ended December 31, 2017, neither the Company nor any other subsidiary had purchased, sold or redeemed any of the Company's listed securities.

Equity-Linked Agreements

Save for the Pre-IPO Share Option Scheme as disclosed on pages 44 to 45 of this annual report, no equity-linked agreements were entered into by the Company, or existed during the Reporting Period.

AGM and Closure of Register of Members

The AGM of the Company will be held on Tuesday, June 12, 2018. A notice convening the AGM is expected to be published and dispatched to the Shareholders in due course in accordance with the requirements of the Listing Rules in due course.

For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Thursday, June 7, 2018 to Tuesday, June 12, 2018, 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 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, June 6, 2018.

Corporate Governance

A report on the principle corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 50 to 62 of this annual report.

Sufficiency of Public Float

Based on information that is publicly available and within the knowledge of the Directors, the Company maintained the prescribed public float as required under the Listing Rules from the Listing Date to the date of this annual report.

Tax Relief and Exemption

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's listed securities.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Articles of Association or the relevant laws of the Cayman Islands where the Company is incorporated which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

Auditors

The Company has appointed Deloitte Touche Tohmatsu as the auditor of the Company for the year ended December 31, 2017. A resolution will be proposed for approval by Shareholders at the forthcoming AGM to re-appoint Deloitte Touche Tohmatsu as the auditor of the Company.

On behalf of the Board

Dr. Ge Li
Chairman
Hong Kong, March 19, 2018

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintaining high corporate governance standards.

The Board believes that good corporate governance standards are essential in providing a framework for the Company to safeguard the interests of shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has adopted the principles and code provisions as set out in the CG Code contained in Appendix 14 to the Listing Rules as its own code of corporate governance.

As the shares of the Company were listed on the Main Board on the Listing Date, the CG Code has been applicable to the Company with effect from the Listing Date and was not applicable to the Company during the period from January 1, 2017 to June 12, 2017.

The Board is of the view that the Company has complied with all applicable code provisions as set out in the CG Code since the Listing Date up to the date of this annual report. The Board will review the corporate governance structure and practices from time to time and shall make necessary arrangements when the Board considers appropriate.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Written Guidelines on terms no less exacting than the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code and the Written Guidelines throughout the Relevant Period. The Model Code and the Written Guidelines were not applicable to the Company during the period from January 1, 2017 to June 12, 2017, before the Shares were listed on the Stock Exchange on June 13, 2017.

The Company has also established the Guidelines for Securities Transactions by Employees (the "**Employees' Written Guidelines**") on terms no less exacting than the Model Code for securities transactions by employees who are likely to be in possession of inside information of the Company. No incident of non-compliance of the Employees' Written Guidelines by the employees was noted by the Company.

BOARD OF DIRECTORS

The Board oversees the Group's businesses, strategic decisions and performance and should take decisions objectively in the best interests of the Company.

The Board should regularly review the contribution required of a Director to perform his responsibilities to the Company, and whether the Director is spending sufficient time in performing them.

The Board of the Company currently comprises the following Directors:

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

Non-executive Directors
Dr. Ge Li *(Chairman)*
Mr. Edward Hu
Mr. Yibing Wu
Mr. Yanling Cao

Independent Non-executive Directors
Mr. William Robert Keller
Mr. Teh-Ming Walter Kwauk
Mr. Wo Felix Fong

The biographical information of the Directors are set out in the section headed "Directors and Senior Management" on pages 24 to 31 of this annual report.

The Directors do not have financial, business, family or other material/relevant relationships with one another.

Board Meetings and Directors' Attendance Records

Regular Board meetings should be held at least four times a year involving active participation, either in person or through electronic means of communication, of a majority of Directors.

Apart from regular Board meetings, the Chairman also held meetings with the Non-executive Directors (including Independent Non-executive Directors) without the presence of Executive Directors during the Relevant Period.

During the Relevant Period, the Board held five meetings and the Directors' attendance records are as follows:

Name of Directors	Attendance
Dr. Ge Li	5/5
Dr. Zhisheng Chen	5/5
Dr. Weichang Zhou	5/5
Mr. Edward Hu	5/5
Mr. Yibing Wu	5/5
Mr. Yanling Cao	5/5
Mr. William Robert Keller	5/5
Mr. Teh-Ming Walter Kwauk	5/5
Mr. Wo Felix Fong	5/5

Chairman and Chief Executive Officer

The positions of Chairman and Chief Executive Officer are held by Dr. Ge Li and Dr. Zhisheng Chen respectively. The Chairman provides leadership and is responsible for the effective functioning and leadership of the Board as well as provides overall guidance on the business, strategy and corporate development of the Group. The Chief Executive Officer focuses on the overall management of the business, strategy and corporate development of the Group.

Independent Non-executive Directors

During the Relevant Period, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

Appointment and Re-election of Directors

Each of the Directors is engaged on a service contract (in the case of the executive Directors) or a letter of appointment (in the case of the non-executive Directors and independent non-executive Directors) for a specific term of three years, which is renewable by mutual consent and subject to the Articles of Association of the Company.

The Company's Articles of Association provides that all Directors appointed to fill a casual vacancy or as an addition to the Board shall be subject to election by shareholders at the next following general meeting of the Company.

Every Director (including those appointed for a specific term) shall also be subject to retirement and re-election by rotation at least once every three years at the annual general meetings of the Company under the Articles of Association of the Company.

Responsibilities of the Directors

The Board should assume responsibility for leadership and control of the Company; and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgment on corporate actions and operations.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to the management.

Continuous Professional Development of Directors

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that they remain informed and relevant for their contribution to the Board.

Every newly appointed Director has received formal, comprehensive and tailored induction on the first occasion of his appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements. Besides, meetings with senior management of the Company were also arranged.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally-facilitated briefings for Directors would be arranged and reading material on relevant topics would be provided to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

During the Relevant Period, the Company organized two training sessions conducted by the qualified professionals for all Directors. Such training sessions cover a wide range of relevant topics including directors' duties and responsibilities, risk management and internal controls etc. In addition, relevant reading materials including directors' manual, legal and regulatory updates and seminar handouts have been provided to the directors for their reference and studying.

During the Relevant Period, the following Directors attended seminars and training sessions arranged by professional institutions/professional firms:

Directors	Topic
Executive Directors	
Dr. Zhisheng Chen	***Insider Dealing Training***
Dr. Weichang Zhou	***General Directors Training***
Non-executive Directors	
Dr. Ge Li	
Mr. Edward Hu	***Insider Dealing Training***
Mr. Yibing Wu	***General Directors Training***
Mr. Yanling Cao	
Independent Non-executive Directors	
Mr. William Robert Keller	***Insider Dealing Training***
Mr. Teh-Ming Walter Kwauk	***General Directors Training***
Mr. Wo Felix Fong	***China Connectively and CTCs drive the future of HK's financial market***
	INED Forums

BOARD COMMITTEES

The Board has established four committees, namely, the Audit Committee, Remuneration Committee, Nomination Committee and Strategy Committee on May 17, 2017, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Audit Committee, Remuneration Committee and Nomination Committee are posted on the Company's website and the Stock Exchange's website and are available to shareholders upon request.

Audit Committee

The Audit Committee consists of two independent non-executive Directors and one non-executive Director, namely Mr. Teh-Ming Walter Kwauk, Mr. William Robert Keller and Mr. Edward Hu, with Mr. Teh-Ming Walter Kwauk as its chairman.

The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code. The main duties of the Audit Committee are to assist the Board in reviewing the Company's financial information, overseeing the Company's financial reporting system, risk management and internal control systems, reviewing and monitoring the effectiveness of the internal audit function, scope of audit and appointment of external auditors, reviewing the arrangements to enable employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Audit Committee is also responsible for performing the functions set out in code provision D.3.1 of the CG Code. These include developing and reviewing the Company's policies and practices on corporate governance and making recommendations to the Board; reviewing and monitoring the training and continuous professional development of directors and senior management of the Company; reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements; developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and directors of the Company; and reviewing the Company's compliance with the CG Code from time to time adopted by the Company and the disclosure in the corporate governance report to be contained in the Company's annual report.

The Audit Committee held three meetings during the Relevant Period to review and consider, in respect of the year ended December 31, 2017, the interim and annual financial results and reports and significant issues on the financial reporting, operational and compliance controls, the effectiveness of the risk management and internal control systems and internal audit function, appointment of external auditors and engagement of non-audit services and relevant scope of works, connected transactions, and the adoption of Written Guidelines and Employees' Written Guidelines and Whistleblowing & Investigation Policy.

The Audit Committee also met the external auditors once during the Relevant Period without the presence of the executive Directors and the management.

The attendance records of the members of the Audit Committee are as follows:

Name of Members of the Audit Committee	Attendance
Mr. Teh-Ming Walter Kwauk	3/3
Mr. William Robert Keller	3/3
Mr. Edward Hu	3/3

Remuneration Committee

The Remuneration Committee consists of two independent non-executive Directors and one non-executive Director, namely Mr. William Robert Keller, Mr. Wo Felix Fong and Mr. Edward Hu, with Mr. William Robert Keller as its chairman.

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code. The primary functions of the Remuneration Committee include making recommendations to the Board on the remuneration packages of individual executive directors and senior management, the remuneration policy and structure for all directors and senior management, establishing a formal and transparent procedure for developing remuneration policy and ensuring that no Director or any of his associates is involved in deciding his own remuneration.

The Remuneration Committee held three meetings during the Relevant Period to review and make recommendation to the Board on the remuneration policy and structure of the Company and the remuneration packages of the Executive Directors and senior management and other related matters as well as consider and make recommendation to the Board on the adoption of the restricted share award scheme.

Pursuant to code provision B.1.5 of the CG Code, details of the remuneration of the senior management (other than Directors) by bands for the year ended December 31, 2017 is as follows:

	Number of employee(s) (Note)
RMB1,000,001 to RMB2,000,000	1
RMB2,000,001 to RMB3,000,000	1
RMB3,500,001 to RMB4,500,000	2

Note: Since one senior management was on board in January 2018, the table has not included his remuneration.

The attendance records of the members of the Remuneration Committee are as follows:

Name of Members of the Remuneration Committee	Attendance
Mr. William Robert Keller	3/3
Mr. Wo Felix Fong	3/3
Mr. Edward Hu	3/3

Nomination Committee

The Nomination Committee consists of one non-executive Director and two independent non-executive Directors, namely Dr. Ge Li, Mr. William Robert Keller and Mr. Teh-Ming Walter Kwauk, with Dr. Ge Li as its chairman.

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code. The principal duties of the Nomination Committee include reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board, identifying individuals suitably qualified to become Board members and selecting or making recommendation to the Board on the selection of individuals nominated for directorship, making recommendations to the Board on the appointment or reappointment and succession planning of Directors, and assessing the independence of independent non-executive Directors as well as reviewing the Board diversity policy.

The Board has adopted a board diversity policy which sets out the approach to achieve diversity on the Board in terms of skills, professional experience, educational background, knowledge, expertise, culture, independence, age and gender. In accordance with the board diversity policy, a truly diverse Board will include and make good use of differences in the skills, regional and industry experience, background, race, gender and other qualities of directors. These differences will be taken into account in determining the optimum composition of the Board. All Board appointments will be based on merit while taking into account diversity.

The Nomination Committee has adopted a set of nomination procedures and selection criteria for directors. The Nomination Committee shall evaluate and select candidates based on the criteria by reference to character and integrity, business experience relevant and beneficial to the Company, qualifications including professional qualifications, skills and knowledge that are relevant to the Company's business and corporate strategy, willingness to devote adequate time to discharge duties as a member of the Board and other significant commitments, present needs of the Board for particular expertise, skills or experience and whether the candidates would satisfy those needs, requirement for the Board to have independent directors in accordance with the Listing Rules and whether the candidates for independent directors would be considered independent with reference to the independence guidelines set out in the Listing Rules and the board diversity policy and any measurable objectives adopted by the Nomination Committee for achieving diversity on the Board.

No meeting had been held by the Nomination Committee during the Relevant Period since the Shares only became listed on the Main Board on June 13, 2017.

Strategy Committee

The Strategy Committee consists of one executive Director and two non-executive Directors, namely Dr. Zhisheng Chen, Dr. Ge Li and Mr. Yibing Wu, with Dr. Zhisheng Chen as its chairman.

The principal duties of the Strategy Committee include conducting research and making recommendations to the Board on the Group's mid-term and long-term strategies and their feasibility, conducting research and making recommendations to the Board on the Group's investment plans, major business decisions and investment earnings forecast and evaluating and monitoring the implementation of the strategy, plans and measures adopted by the Strategy Committee.

No meeting had been held by the Strategy Committee during the Relevant Period since the Shares only became listed on the Main Board on June 13, 2017.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems.

The Company has developed its risk management policy to:

- Support effective decision-making that is guided by the Group's mission and vision;
- Ensure a consistent and effective approach to risk management;
- Formalize its commitment to the principles of risk management and incorporate them into all areas of the Group;
- Foster and encourage a risk-aware culture where risk management is seen as a positive attribute of decision-making rather a corrective measure;
- Align the Group's planning, compliance and risk management systems, and their integration into all areas of the Group's operations; and
- Ensure robust operational and corporate governance practices to effectively manage risk while allowing innovation and sustainable growth.

The Company is committed to excellence and continual improvement, and will continue to encourage innovation while maintaining a low-risk profile. Employees are encouraged to adopt a positive approach to risk management, which further strengthens the risk-aware culture (as opposed to risk-adverse culture) of the Group.

Risk management is incorporated into the strategic and operational processes at all levels within the Group in order to minimize the impact of risk.

Opportunities and risks are identified and are proactively assessed and monitored by employees on an on-going basis.

The Group's approach to risk management, is aligned with COSO Enterprise Risk Management Framework-Aligning Risk with Strategy and Performance.

In order to formalize risk management across the Group and in order to set a common level of transparency and risk management performance, a number of requirements have been defined for the business units. Divisions, business units and group functions of the Group are obliged to address the following requirements with regard to risk management:

- Develop and review, at least annually, a statement on the risk tolerance of the Group;
- Conduct a formalized risk assessment at least annually either in the form of risk assessment questionnaire or risk assessment workshop, this assessment to include the identification, prioritization, measurement and categorization of all key risks that could potentially affect the Company's objectives;
- Report annually on the key risks as identified in the Group's risk reporting formats;
- Continuously monitor key risks and controls and implement appropriate risk responses where necessary;
- Formalize responsibilities for managing risk and for sustaining the Group's risk management framework;
- Monitor and review the application of the risk management framework.

The internal control system of the Group is built up on a clear organization structure and management duties, a set of standardized policies and procedures, a sound accounting system, continuing training to employees, and independent review and oversight of operation and financial results by internal audit department of the Company (the "**Internal Audit Department**"). The Company has formulated a code of conduct for all employees which ensures their ethical value and competency. The Company attaches great importance to the prevention of fraud and has formulated its internal reporting system, which encourages anonymous reporting of situations where internal employees or external customers and suppliers have breached the rules. The Company has set up policy regulating the handling and dissemination of inside information, which has clearly defined the scope of inside information, the roles and responsibilities, the reporting and disclosure requirements, the registration of insiders and confidentiality management. It has also clearly regulated the punishment if the policy is violated. The Company has adopted Written Guidelines and Employees' Written Guidelines for security transactions.

The Internal Audit Department plays a vital role in supporting the Board, the management and the risk management and internal control systems. The functions of the Internal Audit Department are independent of the Company's business operations, and play an important role in the monitoring of the Group's internal management. The Internal Audit Department is responsible for internal controls assessment of the Group at least annually, and provides an objective assurance to the Audit Committee and the Board that the risk management and internal control systems are maintained and operated by the management in compliance with agreed processes and standards on a risk-based approach.

The Internal Audit Department regularly reports the internal audit results to the Audit Committee on a quarterly basis per year, and reports the internal audit results to the Board through the Audit Committee.

The Internal Audit Department is also responsible for performing independent review of the adequacy and effectiveness of the risk management and internal control systems. The Board has reviewed the effectiveness of the internal audit function and the review result is satisfactory.

The management has confirmed to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the Reporting Period. The Board, as supported by the Audit Committee as well as the management report and the internal audit findings, reviewed the risk management and internal control systems of the Group, including the financial, operational and compliance controls, for the Reporting Period, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and staff qualifications, experience and relevant resources.

Arrangements are in place to facilitate employees of the Group to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Group.

The Company has developed its disclosure policy which provides a general guide to the Directors, officers, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended December 31, 2017.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 100 to 101 of this annual report.

AUDITORS' REMUNERATION

An analysis of the remuneration paid/payable to the external auditors of the Company in respect of audit services and non-audit services for the year ended December 31, 2017 is set out below:

Service Category	Fees Paid/ Payable RMB'000
Audit Services	3,100
Non-audit Services –	
ESG Report Consulting Service	250
TOTAL	3,350

JOINT COMPANY SECRETARIES

The Company has engaged Tricor Services Limited, external service provider, and Ms. Cheng Pik Yuk has been appointed as the Company's joint company secretary. Its primary contact person at the Company is Ms. Christine Shaohua Lu-Wong, the chief financial officer of the Company.

The joint company secretaries attended sufficient professional training as required under the Listing Rules for the year ended December 31, 2017 to update their skills and knowledge.

SHAREHOLDERS' RIGHTS

To safeguard shareholder interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings, including the election of individual Director. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

Convening an Extraordinary General Meeting

Pursuant to article 12.3 of the Articles of Association of the Company, extraordinary general meetings shall also be convened on the written requisition of any two or more members, or by any one member which is a recognized clearing house (or its nominee), deposited at the principal office of the Company in Hong Kong specifying the objects of the meeting and signed by the requisitionist(s), provided that such requisitionist(s) held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company.

Putting Forward Proposals at General Meetings

There are no provisions in the Company's Articles of Association or the Cayman Islands Companies Law for shareholders to move new resolutions at general meetings. Shareholders who wish to move a resolution may request the Company to convene a general meeting in accordance with the procedures set out in the preceding paragraph. As regards proposing a person for election as a director of the Company, please refer to the "Procedures for Shareholders to Propose a Person for Election as a Director" of the Company which is posted on the Company's website.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board of the Company, shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address:	288 Fute Zhong Road, Waigaoqiao China (Shanghai) Pilot Free Trade Zone Shanghai 200131, China (For the attention of the Investor Relations Senior Director)
Fax:	86 (21) 50461000
Email:	ir@wuxibiologics.com

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting, directors (or their delegates as appropriate) are available to meet shareholders and answer their enquiries.

The Company maintains a website at www.wuxibiologics.com.cn as a communication platform with shareholders of the Company and investors, where the financial information and other relevant information of the Company are available for public access.

CONSTITUTIONAL DOCUMENTS

In preparation for the Listing, the Company has adopted the amended and restated Memorandum and Articles of Association pursuant to a special resolution passed at an extraordinary general meeting on May 17, 2017, which became effective on the Listing Date. Since then, the Company has not made any changes to its Memorandum and Articles of Association. An up–to-date version of the Company's Memorandum and Articles of Association is also available on the websites of the Company and of the Stock Exchange.

Environmental, Social and Governance Report

Chapter 1 About This Report

- **Report time range:**

  The time range of this Environmental, Social and Governance Report ("**Report**") covers the period from January 1, 2017 to December 31, 2017.

- **Business activities of in-scope entities**

  The scope of entities included in this Report are Shanghai site, Wuxi site and Suzhou site of WuXi Biologics. The Shanghai site houses the drug discovery and pre-clinical development facilities and part of cGMP clinical manufacturing facilities, providing services such as novel mAb discovery, bispecific antibody engineering, antibody drug conjugate ("**ADC**") discovery, cell line engineering and development, assay, formulation and process development, assay and process validation, product analytical characterization, and cGMP cell banking. The Wuxi site houses part of the Group's clinical manufacturing facilities (late-phase) and the commercial manufacturing facilities, providing services such as assay, formulation and process development, assay and process validation, protein, monoclonal antibodies ("**mAbs**") and cGMP drug substance manufacturing, lot release testing, stability studies, drug product formulation, fill and finish, and regulatory support services. The Suzhou site houses our biosafety testing facilities, providing services such as viral clearance studies and cell line characterization.

- **Compiling Standards**

  The Report is compiled based on the "Environmental, Social and Governance Reporting Guide" contained in Appendix 27 of Hong Kong Stock Exchange Listing Rules and its major revision summaries.

- **Selection of Indicators**

  WuXi Biologics has considered the quantification, importance, balance and consistency of the specific indicators relating to the main issues discussed in the Report. WuXi Biologics will continuously adjust and optimize the indicators of disclosure in future reports.

- **Sources of information**

  All qualitative and quantitative information contained in this Report comes from the WuXi Biologics public information, internal documents and relevant statistics.

- **Reference instructions**

  For the convenience of presentation and reading, "WuXi Biologics (Cayman) Inc." is referred to as "WuXi Biologics", or the "Company" in this Report.

- **Forms of Release**

  The online version of this Report can be viewed and downloaded from the Hong Kong Stock Exchange Limited website (www.hkex.com.hk) and WuXi Biologics website (www.wuxibiologics.com.cn).

Chapter 2 Company Overview

1. Company Business and Philosophy

- *Business introduction*

  WuXi Biologics is a leading global open-access and integrated biologics technology platform, providing end-to-end solutions to biologics discovery, development and manufacturing.

  The biologics development process typically spans five stages: (1) drug discovery, (2) pre-clinical development, (3) early-phase (Phase I & II) clinical development, (4) late-phase (Phase III) clinical development, and (5) commercial manufacturing. Services required for the biologics development process can be grouped into two categories: (1) pre-IND services, which include services provided during the first two stages of the biologics development process, and (2) post-IND services, which include services provided during the remaining three stages of the biologics development process.

  WuXi Biologics's business model is based on the "follow-the-molecule" strategy, whereby our customers' demand for our services typically increases as their biologics advance through the biologics development process and ultimately to commercial manufacturing. As a result, WuXi Biologics's revenue and profit from each integrated project also typically increases as the project advances.

  In 2017, the annual revenue of WuXi Biologics was RMB1,618.8 million, the net profit was RMB252.6 million, and the tax payment was RMB46.4 million.

- *Core value*

  WuXi Biologics's core value is "Integrity & Dedication, Working Together & Sharing Success; Do the Right Thing and Do it Right".

- *Mission and vision*

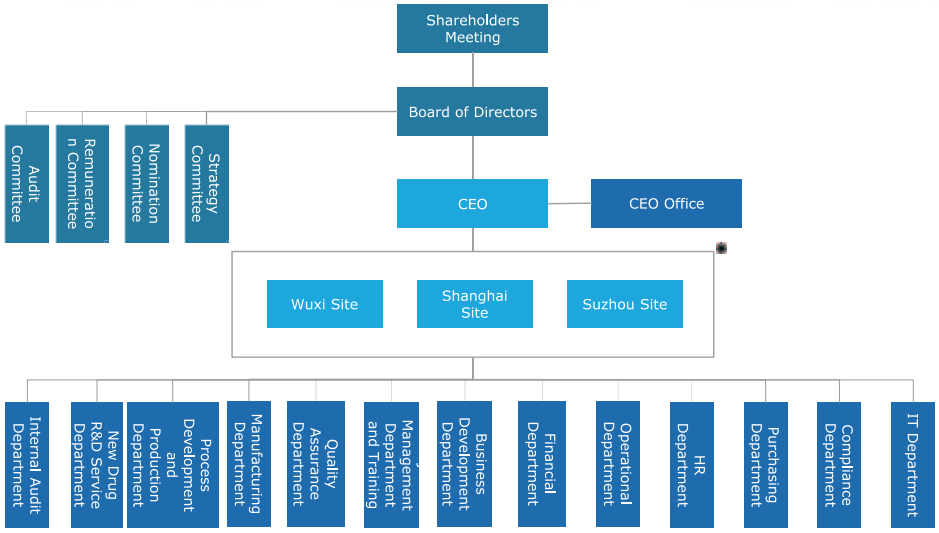
  - ➢ WuXi Biologics's mission: To accelerate and transform pharmaceutical discovery, development and manufacturing in the fast growing field of biologics to benefit patients worldwide.
  - ➢ WuXi Biologics's vision: To become the most comprehensive capability and technology platform in the global pharmaceutical and healthcare industry to fulfill the dream that "every drug can be made and every disease can be treated".

- *Company structure*

  All senior management of WuXi Biologics comply with the relevant laws and regulations, such as Chapter 22 the Companies Law of the Cayman Islands (1961, legislation no.3) (amended from time to time), the Company's Articles of Association and detailed rules and regulations (amended from time to time), the Listing Rules, and other applicable laws and regulations. They will ensure the effective implementation of appropriate business management procedures through regular review to fulfill WuXi Biologics's responsibilities to shareholders.

  To make sure the realization of the strategic goals of WuXi Biologics, WuXi Biologics has established a strict modern enterprise management and control system. The shareholders' meeting is the highest decision-making body. The Board of Directors shall execute the will of the shareholders' meeting and is granted with the decision-making power. The CEO shall execute the Board's will to conduct enterprise management. The Board of Directors establishes four committees to play active roles in risk management, compensation management, board members nomination and major strategic decision making.

  Currently, WuXi Biologics has three major operational sites in China, which are located in Shanghai, Suzhou and WuXi respectively. The three major sites uniformly adopt the governance structure of WuXi Biologics, but the inter-dependence on different departments may vary depending on the business characteristics of different sites. For example, the manufacturing department of Wuxi site is established to meet the business needs of clinical manufacturing. Shanghai site focuses on research and development of drug discovery and pre-clinical development. WuXi Biologics's governance structure is demonstrated in figure 2:



* Three sites share this company structure, but the requirements and emphasis on different department are different based on the business characteristics of different sites.

Figure 2: Company Structure of WuXi Biologics

2. Company History

WuXi Biologics is an affiliated company of WuXi AppTec. WuXi Biologics was originally established in 2010 as one of the WuXi AppTec's business units, providing cell line development and analytical protein characterization services. Over a seven-year period of active and steady business expansion, WuXi Biologics was spun off and listed on the Stock Exchange in June, 2017, and WuXi Biologics has gradually grown to become the world's first biotechnology company which truly provides one-stop services from concept to commercialization and open technology platform. Figure 3 shows the key milestones of our development.

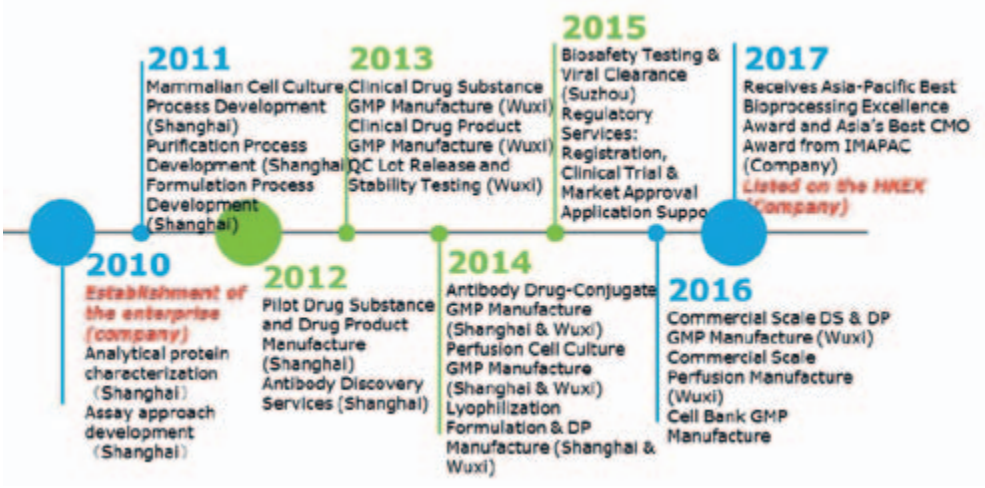


Figure 3: Historical Development Timeline of WuXi Biologics

Chapter 3 Significant Issues Analysis

1. Significant Issues Identification and Analysis

The focus of this Report should be based on the analysis of significant issues of concern to the stakeholders. Therefore, in order to better understand the needs and concerns of the stakeholders, WuXi Biologics has analyzed the stakeholders and has identified 21 significant issues to be discussed in this Report.

1) Stakeholders identification and analysis

According to the Environmental, Social and Governance Reporting Guide of the Listing Rules ("**ESG Reporting Guide**") and other related guidance and standards, WuXi Biologics utilizes the stakeholders' rights-interests model to evaluate the impact and dependence of different stakeholders.

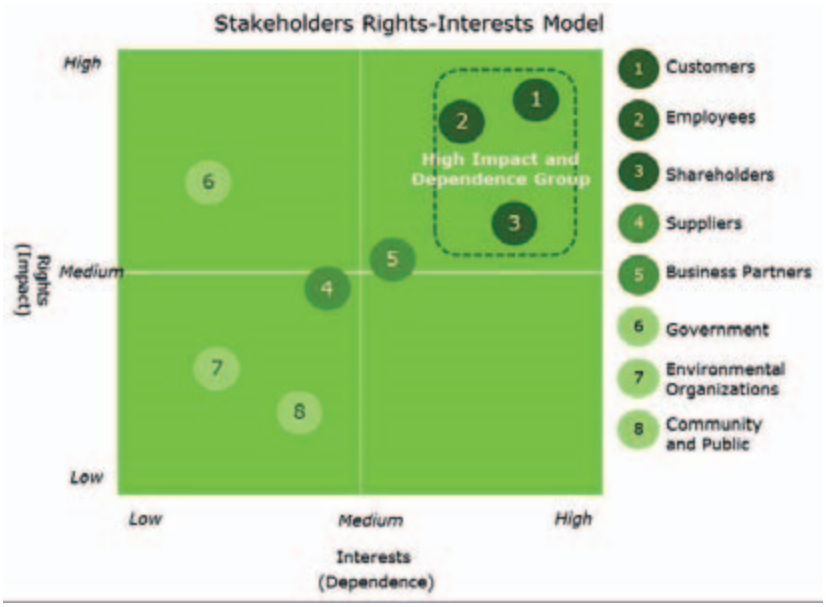


Figure 4: Stakeholders Rights-Interests Model of WuXi Biologics

As presented in figure 4, customers, employees and shareholders are the most important stakeholders of WuXi Biologics. Their rights-interests are rated high in our "impact" and "dependence" dimensions. Therefore, this Report will focus on discussing the significant issues that these three parties are concerned about, while disclosing the key indicators required by the ESG Reporting Guide.

2. Significant Issues Screening

WuXi Biologics has set up different communication channels for the eight stakeholders namely customers, employees, shareholders, suppliers, business partners, government, environmental organizations and communities – to maintain routine and close communications. In the process of preparation of this Report, WuXi Biologics has identified the significant issues that various parties are concerned about through communications with different stakeholders, as shown in figure 5.

Stakeholders	Concerned Significant Issues	Corporate Communication Mechanism
Customers	Product Quality and Safety	Product R&D Innovation
	High Quality Services	Service System Perfection
	Customer/Project Privacy Protection	Customer Satisfaction Survey
	Intellectual Property Protection	Strict IP Protection
	Timeliness on Service Delivery	Dedicated Project Management Team
Employees	Wages and Welfare	Employees Participating in Management
	Employment and Labor Relations	Labor Union Activities
	Prosperous Career Development Platform	Employees Development Channels
		Welfare and Benefits
Shareholders	Growth of Return on Investment	Regular Disclosure of Operational Results
	Enterprise Risk Management	Shareholders' Meeting, Reporting and Notification
	Corporate Governance System	Sustainable Growth and Guarantee on Return to Shareholders

Figure 5: Significant Issues and Corporate Communication System of WuXi Biologics

Stakeholders	Concerned Significant Issues	Corporate Communication Mechanism
Suppliers	Open, Fair, and Impartial Procurement	Execution of Contracts According to Agreed Terms and Conditions Procurement System Transparency
Business Partners	Promotion of Industrial Development	Execution of Contracts According to Agreed Terms and Conditions Promotion of Healthy Development of the Industry Promotion of Project Cooperation
Government	Laws and Regulations Compliance	Operate according to Laws and Regulations Pay Tax Responsibly Welcome Inspection and Examination
Environmental Organizations	Waste Management	Environment Management System
	Energy Conservation and Emission Reduction	Promotion of Energy Conservation and Emission Reduction Green Office
Communities	Promotion of Local Employment Community Services	Increase Job Opportunities Promote Community Discussion and Communication
	Charitable Activities	Community Welfare Activities

Figure 5: Significant Issues and Corporate Communication System of WuXi Biologics

3. Evaluation of Significant Issues

Based on the Stakeholders Rights-Interests Model, WuXi Biologics has communicated and surveyed the eight kinds of stakeholders namely customers, employees, shareholders, suppliers, business partners, government, environmental organizations and communities, and has identified 21 significant issues. In the evaluation matrix in Figure 6, intellectual property protection, product quality and safety, employment and labor relations, timeliness on service delivery are the most important issues among the 7 issues with high significance.

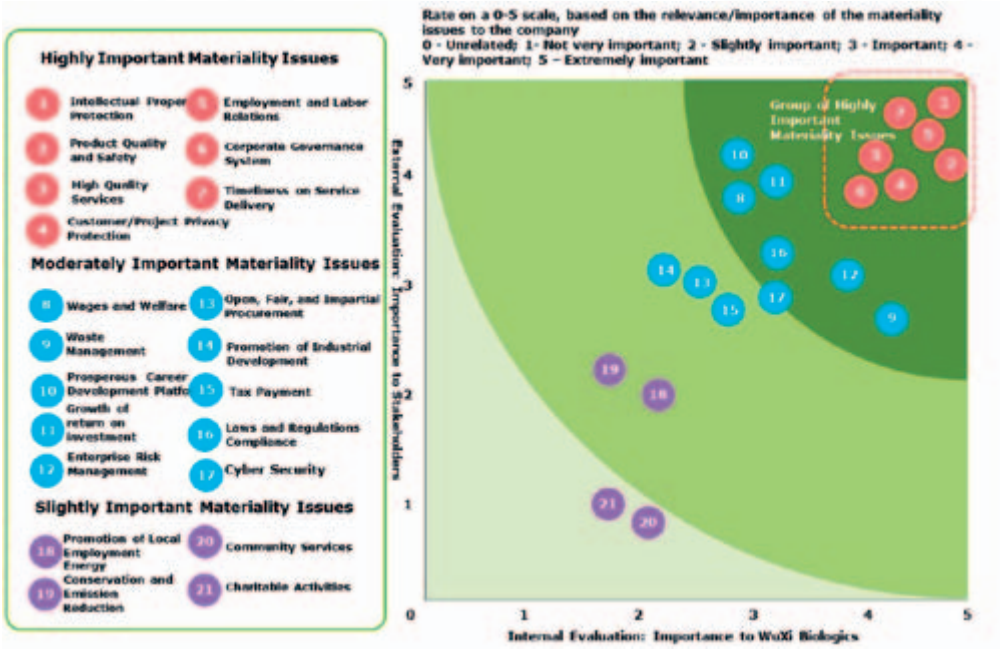


Figure 6: Matrix of Importance of Materiality Issues

4. Significant Issues Confirmation: Confirmed the different levels of materiality, and usage of the analysis

According to the scoring on the different issues, Wuxi Biologics has evaluated the degrees of importance of 21 material issues and have created the matrix of significant issues analysis based on the stakeholders' scoring (See Figure 7) to determine the key disclosure contents in this Report.

	Issues	Corresponding Sections in the Report
High Significance Issues	• Intellectual Property Protection	➢ Intellectual Property Protection
	• Product Quality and Safety	➢ Quality Assurance ➢ R&D Investment and Effectiveness
	• High Quality Services	➢ Customer Satisfaction Surveys
	• Customer/Projects Privacy Protection	➢ Customer Confidentiality and Privacy Protection
	• Employment and Labor Relations	➢ Employment and Labour Standards ➢ Development and Training ➢ Employee Care
	• Corporate Governance System	➢ Governance Mechanism ➢ Information Disclosure
	• Timeliness on Service Delivery	➢ Highly Efficient Delivery

	Issues	Corresponding Sections in the Report
Moderate Significance Issues	• Wages and Welfare	➢ Employment and Labour Standards ➢ Employee Care ➢ Employees Health and Safety ➢ Development and Training
	• Waste Management	➢ Emissions
	• Growth of Return on Investment	➢ Investors Relationship
	• Enterprise Risk Management	➢ Risk Management and Control
	• Cyber Security	➢ Prevent Cyber Risk
	• Promotion of Industrial Development	➢ R&D Strategy and Investment
	• Open, Fair, and Impartial Procurement	➢ Suppliers Selection and Maintenance
	• Tax Payment	➢ Business compliance
	• Laws and Regulations Compliance	➢ Business compliance
	• Prosperous Career Development Platform	➢ Development and Training
Low Significance Issues	• Energy Conservation and Emissions Reduction	➢ Emissions ➢ Use of Resources ➢ Water Resources Management
	• Promotion of Local Employment	➢ Employment and Labour Standards
	• Community Services	➢ Commitment to Community & Public Services
	• Charitable Activities	➢ University-Enterprise Cooperation

Figure 7: WuXi Biologics Significant Issues and Corresponding Sections in the Report

Chapter 4 Responsibilities to Our Shareholders

1. Governance Mechanism

WuXi Biologics strictly complies with the Company Ordinance of Hong Kong, the SFO and related laws as well as regulations issued and enacted by the regulators. WuXi Biologics actively constructs a better governance system of modern listed company, and constantly improves the corporate governance structure. WuXi Biologics is committed to maintaining high standards 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. WuXi Biologics formulated the Policy of Insider Information Management, clarified the definition and scope of insider information, disclosure rules, the record and confidentiality management; strengthened the management of inside information and confidential work to ensure the fair justice of information disclosure; maintained the lawful rights of the Company, shareholders and other stakeholders. WuXi Biologics has also established the Guidelines for Securities Transactions by Directors and Employees and has committed to strengthening the management procedures for the reporting, disclosure, monitoring and management of the trading of securities by directors or employees.

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

The Board is of the view that WuXi Biologics has complied with all applicable code provisions of the CG Code since the listing date up to December 31, 2017. The Board reviews the corporate governance structure and practices from time to time, and makes necessary arrangements when the Board considers appropriate.

2. Information Disclosure

Regarding information disclosure, WuXi Biologics strictly complies with the Company Ordinance of Hong Kong, the principle requirements in the general obligation of disclosure in 13.09 (1) and the requirements in "Environmental, Social and Governance Reporting Guide" contained in the Listing Rules. WuXi Biologics actively protects the investors' rights and interests, strictly complies with the laws and regulations, and ensures the reliability, transparency and timeliness of the information.

3. Risk Management and Control

WuXi Biologics believes that risk management is vital to its efficient and effective operations. The management team of WuXi Biologics assists the Board of Directors to evaluate both the major internal and external risks in the business. Risk management is incorporated into the strategic and operational process at all levels within WuXi Biologics in order to minimize the impact of risk. Opportunities and risks are identified and are proactively assessed and monitored by employees on an ongoing basis.

The internal control system of WuXi Biologics is built up on a clear organisation structure and management duties, a set of standardized policies and procedures, a sound accounting system, continuing training to employees, and independent review and oversight of operation and financial results by Internal Audit Department.

4. Business compliance

WuXi Biologics developed Code of Business Conduct and Ethics to guide our compliance. WuXi Biologics is committed to the highest possible standards of openness, probity and accountability, to prevent bribery and corruption. WuXi Biologics has established rigorous "whistle blower" system and the Whistleblowing & Investigation Policy, which are supervised and monitored by the Audit Committee of the Board of Directors. These systems are applicable to all employees, directors, shareholders, suppliers, consultants, contractors and any parties which have business relationship with WuXi Biologics. In the "whistle blower" system, WuXi Biologics developed strict and confidential investigation procedures to protect the identity of the whistle blowers in order to prevent unreasonable dismissal and ensure the safety of the complainants.

From January 1, 2017 to December 31, 2017, there was no substantiated case of corruption, bribery, or situations against business conducts in WuXi Biologics.

5. Investors Relationship

As a rising star of the industry that was newly listed on the Stock Exchange, WuXi Biologics's unique business model, strong business development and rapid growth have attracted a lot of attention of both the domestic and international investors. WuXi Biologics received the Best IPO Award and Best Investors Relations Award at the "China Financial Market Listed Companies Awards of 2017 " organized by financial magazine "Chinese Financial Market". Also, WuXi Biologics has the honour to receive "The Most Popular New Stock Company of 2017". This year, the equity holders' return on capital was 6.3%, equity holders' share of profits on continuing operations was RMB252.6 million.

In order to improve the transparency of its information, to strengthen the communication and contacts with the capital market, and to enhance the investors' understanding of our development, WuXi Biologics has conducted numerous meetings with investors, telephone conferences, investor conferences and roadshows organized by domestic and international financial institutions. In addition, WuXi Biologics has also arranged facility site tours in both Shanghai and Wuxi sites with hundreds of investors, while publicizing major business developments through press releases, announcements and its website in accordance with relevant rules and regulations.

- Case: On November 15 and 16, 2017, WuXi Biologics was invited to participate in the Morgan Stanley 16th Annual Asia Pacific Summit held in Singapore. As one of the largest annual investor meetings of Morgan Stanley, business leaders and investors from the Asia-Pacific region gather here every year. WuXi Biologics participated the two-day group meeting and numerous one-on-one meetings with large international financial institutions, including Goldman Sachs Asset Management, Schroder Investment, Fidelity Funds, Government of Singapore Investment, JP Morgan Asset Management, etc.
- Case: On November 7, 2017, WuXi Biologics welcomed investors organized by Citi at the Wuxi site. WuXi Biologics introduced its business and shared its business developments during the meeting. Investors actively participated in the Q&A section and expressed strong interest in WuXi Biologics. After the meeting, WuXi Biologics organized investors to visit its manufacturing line. During the visit, the investors were very much impressed by the professionalism of WuXi Biologics's development and manufacturing staffs, advanced instruments and techniques.

Figure 8: Representative of WuXi Biologics was answering questions from investors.

Chapter 5 Responsibilities to Our Customers

1. R&D Investment and Effectiveness

Due to the increasing demand for biologics drugs and increased regulatory approvals for these drugs, there is huge demand for biologics manufacture and testing at various levels of clinical studies as well as commercial supply. So the biologics outsourcing global market is expected to grow at double digit CAGR speed to reach US$70.3 billion by 2025.

Given that more and more expensive research and development costs and higher risks for clinical trials, large biopharma companies are coming up with strategies to cut down their operational costs and concentrate more on their core competencies by outsourcing this piece of work to some open-access biologics technology platform companies offering end-to-end solutions. These open-access biologics technology platform companies bridge the gap between demand and supply and ensure that drug discovery process gets much faster and more convenient, thus bringing lifesaving drugs to the market to reach the needy patients. There will be huge opportunities for biologics outsourcing global market in the future.

WuXi Biologics pays close attention to the development of the industry and is committed to becoming a high quality biologics services provider. WuXi Biologics continuously focuses on (i) developing next generation technology to continue to enhance integrated services, in particular next generation mAb discovery platform, next generation cell line platform, novel ADC linker and payload and continuous biologics manufacturing technologies; and (ii) improving the quality and efficiency of the services and costs control. During the Reporting Period, the research and development expenditure was approximately RMB74.5 million, which accounted for 4.6% of the revenue. WuXi Biologics will continue to increase its investment in research and development which will reduce clinical and commercial manufacturing costs as well as the cost and the time required for building a new manufacturing facility.

As a global open-access biologics technology platform to offer end-to-end solutions for biologics discovery, development and manufacturing, WuXi Biologics provides real one-stop services to our customers. As at December 31 2017, WuXi Biologics had a total of 161 integrated projects, including 90 projects were in pre-clinical development stage, 62 projects were in early-phase (phase I and II) clinical development, 8 projects were in late-phase (phase III) clinical development and 1 project was in commercial manufacturing. WuXi Biologics's customers not only include 13 out of the 20 largest pharmaceutical companies in the world as measured by their respective pharmaceutical sales in 2017, but also virtual, start-up companies and small-to-medium sized biotechnology companies. For instance, among 90 projects which were in pre-clinical development stage, around two thirds were from domestic companies, while the other one third were from international small-to-medium sized companies. WuXi Biologics has greatly promoted to the realization of Chinese Medical Dream. Within six years, WuXi Biologics has helped the customers to obtain clearance of global IND of 26 projects, Chinese IND of 38 projects, among which clearances of 6 of global IND and 11 of Chinese IND were obtained in 2017. WuXi Biologics truly empowers its customers and advocate the development of biologics industry in China!

Additionally, WuXi Biologics strengthens the strategic cooperation with foreign well-known enterprises in order to achieve powerful synergy and leading advantages of biologics industrial manufacturing technology.

- Case: WuXi Biologics and Pall Corporation established joint continuous bioprocess laboratory.

Figure 9: The Opening Ceremony of WuXi Biologics and Pall Corporation Joint Laboratory

On November 2, 2017, WuXi Biologics and Pall Corporation, the global leader of advanced filtration, separation and purification technologies, announced the establishment of a joint laboratory in Shanghai to develop full continuous processing for the manufacturing of mAb. This joint laboratory will serve WuXi Biologics's customers worldwide in an attempt to significantly reduce mAb drugs' manufacturing costs and benefit patients around the world.

After years of intensive efforts on technological development, WuXi Biologics has developed high-yielding cell lines and laboratory-scale continuous processes, significantly increasing the expression of some mAbs to up to equivalent of 40-50 g/L in the traditional fed-batch process, which is approximately 10 times more productive than the typical fed-batch process. Moving forward, WuXi Biologics will improve large-scale purification equipment and technology that often becomes a bottleneck in continuous processing and will work to resolve the bottleneck. With this joint laboratory, WuXi Biologics plans to soon expand the continuous process scale to 500L and reduce mAb manufacturing cost to 30-50 USD/g, and then scale up to 1000L and further reduce costs to less than 15 USD/g.

- Case: WuXi Biologics received Asia-Pacific Best Bioprocessing Excellence Award from IMAPAC Pte Ltd

Figure10: Representative of WuXi Biologics accepted the award on behalf of the company.

On March 30, 2017, the "Asia-Pacific Bioprocessing Excellence Awards 2017" held by IMAPAC Pte Ltd, a leading consulting firm, announced that WuXi Biologics was awarded the "Best Bioprocessing Excellence" by virtue of its outstanding performance.

Asia-Pacific Bioprocessing Excellence Awards aims to recognize outstanding leaders and trend-setters of today, and inspire innovators tomorrow. Featuring top bioprocessing and bio-manufacturing experts in the industry, along with the latest advances in technologies and best practices in manufacturing, WuXi Biologics has been recognized for its outstanding performance that facilitating bio-manufacturing excellence at enhanced speed, reduced cost and superior quality.

As an open-access biologics technology platform, WuXi Biologics opened its state-of-the-art biologics manufacturing facilities at Wuxi city in 2012, which is the first in China that met cGMP standards of the United States, the European Union, and China. In 2015, WuXi Biologics began construction of world's largest mammalian cell culture manufacturing facility using disposable bioreactors with a planned manufacturing capacity of 30,000L, and completed construction of Asia's largest perfusion biologics manufacturing facility using disposable bioreactors in 2016, offering end-to-end solution to our worldwide customers and partners. Such facility entered into full operations in December 2017.

2. Highly Efficient Delivery

Benefiting from our extensive and deep industry experience and one-stop services platform, WuXi Biologics can achieve leading delivery efficiency in the industry. According to WuXi Biologics's own analysis of public data, the industry norm of the IND enabling timeline is between 18 to 24 months, while our average time is basically between 15 to 18 months or even shorter. To name a few samples as following, WuXi Biologics has completed the delivery within only 9 months in a project of developing a special vaccine for a pharmaceutical company in Singapore. In another fusion protein project, WuXi Biologics accomplished the delivery within a few months thanks to our industrial experiences, while such project usually takes up to several years to complete.

3. Supplier Selection and Maintenance

WuXi Biologics conducts quality audit and implement procurement process control over suppliers, to ensure that the procured products meet the quality standards, the procuring process is in compliance with laws and regulations. WuXi Biologics has established the Procurement Policy, Suppliers Management Policy and other related policies and procedures strictly regulating the procurement management to make sure the procurement activities comply with the relevant laws and regulations, and are in the best interests of WuXi Biologics.

There are five components regarding supplier management in WuXi Biologics, including supplier classification and management, new supplier sourcing and introduction, suppliers performance evaluation, suppliers audit and supplier social responsibility management. In terms of suppliers' social responsibility, WuXi Biologics includes the corporate social responsibility as evaluation criteria for qualifying new suppliers and reviewing existing suppliers. WuXi Biologics prefers to cooperate with companies with good responsibilities, which promoting and supporting the suppliers to fulfil their social responsibilities. In addition, WuXi Biologics signs the Anti-corruption Agreement with domestic strategic suppliers, preferred suppliers and qualified suppliers, as well as the Supplier Intellectual Property Statement with fixed asset suppliers. WuXi Biologics constantly improves the Supplier Management Policy, New Supplier Addition Procedure and other procurement policies and procedures, as well as establish Suppliers' Code of Conduct to define rigorous requirements on product quality, environmental protection, health and safety and other aspects of the suppliers. WuXi Biologics has also set up relevant requirements about Compliance with the Declaration of Helsinki. WuXi Biologics is required to conduct our work in compliance with relevant requirements in research and development activities, and WuXi Biologics advocates suppliers and other stakeholders to comply with the Declaration of Helsinki when involved in related areas to further strengthen the subject protection about privacy and human rights.

WuXi Biologics actively maintains the relationships with suppliers, and listens to their feedback. In order to maintain the supplier relations, to promote the corporate value, and to gain support from more suppliers, WuXi Biologics organizes and invites suppliers to join the annual suppliers meeting to enhance the communications with suppliers, understand and give feedback to suppliers' expectations and demands, and strengthen the long-term cooperation.

- Case: On April 28, 2017, WuXi Biologics held the suppliers meeting in Shanghai. There were more than 400 representatives from over 200 strategic and key suppliers attending this meeting.

Figure 11: WuXi Biologics' suppliers meeting in 2017

WuXi Biologics actively cooperate with local suppliers, and promote the local development. As shown in Figure 12, WuXi Biologics cooperated with a total of 639 suppliers, mainly in Shanghai (55%), Jiangsu Province (20%) and with 8% of foreign suppliers. WuXi Biologics has actively cooperated with these local suppliers, and has contributed to the development of the local industrial chain.

In terms of the types of products procured, suppliers of raw materals accounted for 66%, suppliers of equipment accounted for 31%, and suppliers of expenditure accounted for 3%.

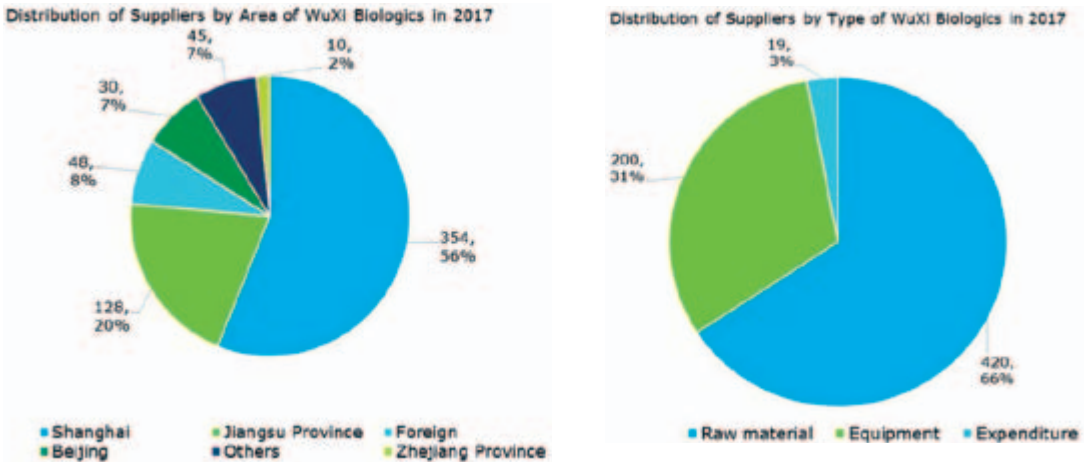


Figure 12: Distribution of suppliers by areas and by types of WuXi Biologics in 2017

4. Quality Assurance

To deliver high quality services and products has always been a top priority of WuXi Biologics. WuXi Biologics is committed to ensuring that our service always meets the requirements which are higher than the industrial standards, and WuXi Biologics strictly complies with GMP requirements. In terms of internal quality management, our Quality Assurance Department hires highly qualified talents, and is responsible for supervising and implementing the quality standards of raw materials and equipment. As at December 31, 2017, there are 134 dedicated employees who have biology or relevant education background in the Quality Assurance Department, and 45 of them have master degrees or above. In terms of external quality review, the quality system of WuXi Biologics has experienced over 160 audits conducted by the Chinese government, US government, and customers all over the world. WuXi Biologics's quality system is highly recognized by the governments and customers. Figure 13 shows the number of external audits conducted by various governments and customers by region.

Types of Quality Audit	Regions	Number of Audits
Government Drug Control Authorities	US	1
	China	>30
Quality Audit by Customers	US	>80
	Asia	>30
	EU	>25

Figure 13: Statistics of external audits conducted on WuXi Biologics

Figure 14 demonstrates that WuXi Biologics strictly implements the seven-step process of quality control.

WuXi Biologics establishes rigorous quality control procedures from raw material procurement to every step before the products leaving the facility.

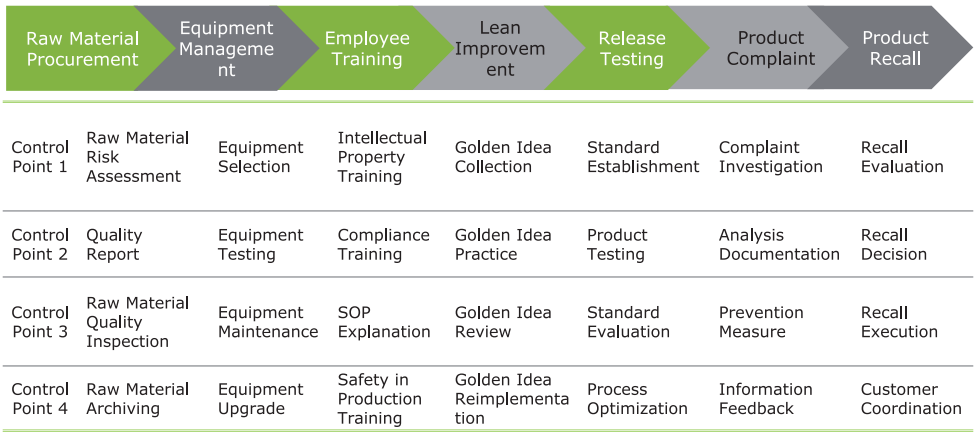


Figure 14: Production Management Procedures of WuXi Biologics

Step One: Raw Material Screening and Selection

WuXi Biologics has been holding cautious and serious attitude towards every raw material procurement. The Procurement Department evaluates the major risks relating to raw materials according to the list of raw materials needed, and it also requires the suppliers to issue quality reports with multiple quantitative analyses. Based on the quality requirements contained in the relevant specifications, WuXi Biologics conducts quality inspection on each supply of raw materials. WuXi Biologics will allow the raw materials to enter into the manufacturing process only if it satisfactory results from the internal inspection, and then WuXi Biologics will archive the procurement records for internal use and customer audits. In terms of the sources of animal cells used, WuXi Biologics strictly complies with ICH Q5A (R1) (enforced on September 23, 1999), USP (1050), U.S FDA "Points to Consider in the Manufacture and Testing of Monoclonal Antibody Products for Human Use" (enforced on February 28, 1997), and Chinese Pharmacopoeia 2015 edition (third section) "Preparation and Verification Procedures of Biological Products Production Verification Using Animal Cell Substrates" (enforced on December 1, 2015).

Step Two: Equipment Quality Control

Before accepting the equipment delivered by the suppliers, the Purchasing Department will check and test the incoming equipment to ensure the equipment is in satisfactory condition and is fully operational. WuXi Biologics only purchases equipment and spare parts from selected well-known suppliers, and we keep communicating with the equipment suppliers' technology and customer service personnel on a regular base to maintain and upgrade the equipment.

Step Three: Employee Compliance Training

WuXi Biologics organizes various training for the employees regularly, and requires all the employees to attend the annual compliance training.

- Case: In every weekday morning, every department will organize a 15-minute "Daily Compliance Regular Meeting" by the unit of laboratory, project team, workshop or office location before the day or the shift starts. Such meeting help employees to cultivate law and regulation compliance awareness, understand the interpretation of the key elements of the SOP (Standard Operating Procedure), and understand the compliance requirements of each operation in order to meet the quality standards.

Step Four: Promotion of Lean Process

Since 2016, WuXi Biologics has jointly built a Golden Idea campaign with WuXi AppTec, aiming to provide an efficient lean improvement suggestion platform for all employees. WuXi Biologics encourages every employee to participate in the continuous improvement of the Company in terms of every aspect at work, and actively to propose ideas to save costs, eliminate waste, optimize operation, improve the process, and jointly create a lean operational management culture.

In 2017, WuXi Biologics received a total of 566 golden ideas from the employees, and 338 of them were put into practice and have achieved excellent results.

- Case: The champion of Excellent Golden Idea of 2nd Quarter, 2017 – "Improvement of instrument through better integration and utilization"
  - ➢ Issue: In the process of chromatographic purification of protein samples, it often appears that the number of samples is much larger than the number of sampling pipes of the chromatographic instrument. It needs multi-batch sample purification in operation, and the tedious work may lead to human error and other problems.
  - ➢ Solution: By introducing new software to realize the automatic control of the chromatographic instrument and the automatic sampler, WuXi Biologics has succeeded in making pipe supports on its own which can be recognized and controlled by the software. Now the amount of purification at one time is greatly increased, and the manual operation is significantly decreased.
  - ➢ Effect of the idea: Firstly, it greatly simplifies the multi-sample purification process, and reduces tedious manual operation to avoid manual errors. Secondly, the utilization of time and instrument has been improved, and the weekly effective utilization time and the amount of processed samples have increased by 40% and 67% respectively.

Winner's thoughts:

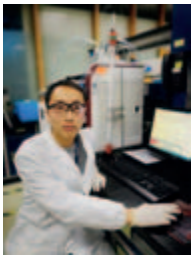


Figure 15: the champion of Golden Idea Award of 2nd Quarter, 2017

— "In our daily projects, there are often dozens of samples needed to be purified every time, but our current purification equipment has a limited capacity of sample size at a time, which posed a great restriction on our work throughput and efficiency. Therefore, we want to improve the current equipment to increase the level of automation."

— "After upgrading the instrument, the maximum samples throughput of our purification equipment has been greatly increased. We have realized the automated control over the intermediate process, with few need for human intervention."

Step Five: Release Testing

After the manufacturing of drug substance ("**DS**"), WuXi Biologics will conduct release testing in batches on these drug substances to ensure that every batch is manufactured in the right method, and every batch of DS meets the expected quality standards. In addition, WuXi Biologics will perform regular evaluations and updates on the standards based on different customers' demands to ensure the products' standards of evaluation conform to both the international standards and customers' demands.

Step Six: Response to Product Complaint

The Quality Assurance Department documents all the complaints received, and the complaint coordinator of the Quality Assurance Department determines whether the complaint is caused by quality issues. If it is related to quality issue, the Quality Assurance Department will conduct a complaint investigation, which includes but not limited to document review, test on complained sample, inspection of reserved samples and other aspects. The person in charge of the Quality Assurance Department will document the testing and analysis results in the Customer Complaint Sheet, analyse possible reasons of defect, decide whether to take preventive measures and the level of impact on other released batches. The above complaint processing results will be timely reported to customers for feedback. WuXi Biologics did not receive any customer complaint about product quality in 2017.

Step Seven: Execution of Product Recall

When there are situations meeting the conditions of product recall, the Quality Assurance Department will immediately initiate the recall evaluation and decide the product recall level. The person in charge of quality and the relevant customer will need to confirm the recall evaluation and finally decide whether to carry out the product recall. Moreover, WuXi Biologics will form a special team to determine and implement the product recall, and WuXi Biologics need to negotiate and confirm the subsequent treatment of the recalled products with the customer. WuXi Biologics hasn't received any complaint from the customers, nor any situation of product recall happened during the year.

5. Intellectual Property Protection

Considering the characteristics of the bio-pharmaceutical industry, WuXi Biologics actively maintain the intellectual property rights in service delivery for our customers. WuXi Biologics's has established policies and procedures such as the Operating Standard of Intellectual Property Laws, Regulations and Other Requirements, Operating Standard of External Documents and Record Control, and Administrative Regulations of the Use of Intellectual Property Information Resources to enable the compliance in terms of intellectual property protection.

- *Case: Intellectual Property Management System Certification*

  In May 2017, Zhongzhi Intellectual Property Certification Institution conducted audits on WuXi Biologics's business secrets, patents, trademarks, software copyrights, thesis, domain names and other various forms of intellectual property management system. The audit on patent section covers the application, maintenance, transfer, change, abandon, and patent search. The audit did not find any non-conformance situation. In June 2017, WuXi Biologics obtained the Intellectual Property Management System Certification in compliance with Intellectual Property Management System GB/T29490-2013. The certification numbers are 165IP17038IR0L, 165IP17038IR0L-1, and 165IP17038IR0L-2, as shown in figure 16.

Figure16: The Intellectual Property Management System Certifications of WuXi Biologics

6. Prevent Cyber Risk

WuXi Biologics has a sound and mature network security system and security operation team. With risk management as a priority strategy, it continuously strengthens its management and technical level and continuously enhances its risk control capabilities so as to provide information security for the company's business continuity. WuXi Biologics are able to deal with potential cyber threats and sudden information security incidents in accordance with established emergency plans. The data security protection system was built based on the full life cycle of data assets. Major risk countermeasures, such as data access authorization and control, data lifecycle management, data backup and recovery testing, data integrity verification, and network terminal virus protection, effectively ensure data security and integrity. WuXi Biologics has implemented the strategy of full participation in information security, provided information security awareness training for all employees, and continuously improved employees' awareness of the importance of information security in daily operations. WuXi Biologics stregnthens enhance the risk monitoring capabilities of IT operations support team employees, and use advanced cyber security operations management tools to improve the timeliness and effectiveness of risk response. For example, in order to strengthen the company's effective check on scientific data management, WuXi Biologics held a drill for the network virus emergency response to the spread of Internet viruses in 2017.

7. Customer Confidentiality and Privacy Protection

WuXi Biologics pays great attention to customer confidentiality and privacy protection. All the customers' project information is within the scope of WuXi Biologics's business secret protection. WuXi Biologics has implemented strict authority controls over different customers' projects as required by the business confidentiality protection. WuXi Biologics develops the Enterprise Compliance Manual which sets rigorous provisions about project document management, personnel account management and information communication etc. The Compliance Department conducts IP audits on each department every month, and sends the audit reports to the management for review.

8. Customer Satisfaction Surveys

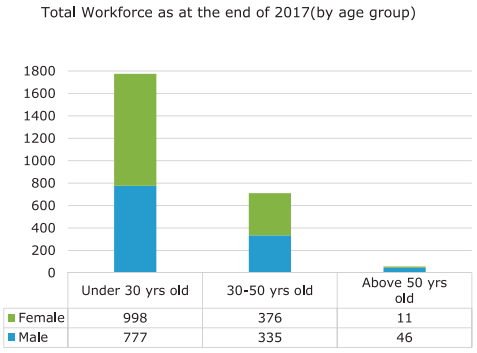
WuXi Biologics holds the principle of putting customers' demands first, and the Customer Service Department conducts customer satisfaction surveys once or twice every year. The total number of questionnaire covers 10% to 15% of the total customers, and the main target is the top 20 customers in annual sales revenue. The satisfaction survey will also cover some small and medium-sized customers with annual sales revenue of RMB500,000 to 1 million. With all the efforts in 2017, WuXi Biologics has achieved an overall customer satisfaction of 90.17%.

The content of the customer satisfaction survey mainly includes the timeliness of quotation feedback, communications, products and services, project cycle, logistics, and suggestions for improvements. The survey covers three stages: front-end sales, during the project, and after the project ends. By conducting the customer satisfaction surveys, WuXi Biologics hopes to know the customers' comments on its services and products, and whether there was any ineffective communication or other issues during the project. Based on the feedbacks received, WuXi Biologics can optimize its product and services with focus as well as develop improvement plans to seek for greater perfection in its operation, improve customer satisfaction and loyalty, and assist with the sustainable growth of our business.

Chapter 6 Responsibilities to Our Employees

1. Employment and Labour Standards

WuXi Biologics strictly follows the Labour Law of the People's Republic of China and other relevant laws and regulations. WuXi Biologics has established Employee Recruitment Management Policies, Wages and Welfare Policies, Employee Handbook and other policies and procedures. WuXi Biologics adheres to the equal-employment principle, provide diverse and equal job opportunities to create a fair and justice development platform. As at December 31 2017, there were 2,543 employees in total; 46% of them were males while 54% were females. In terms of employees' age, WuXi Biologics is dominated by young people, and 70% of the employees are young adults between 21 and 30 years old. The high proportion of young adults is in line with WuXi Biologics's talent development strategy. WuXi Biologics actively cultivates young people's professional capabilities, and explore their potentials as well. In terms of the distribution of employees, WuXi Biologics offered 2,524 employment opportunities in China, of which 95.40% are concentrated in Shanghai and Wuxi. WuXi Biologics also offered 19 positions in overseas countries. In terms of employee turnover rate in 2017, WuXi Biologics has a turnover rate of 11% which was lower than the industry average.



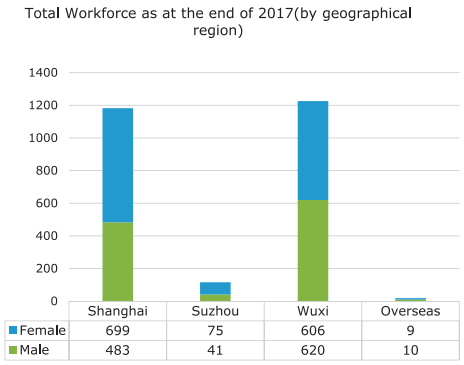


Figure 17: The statistics of workforce in WuXi Biologics in 2017

In terms of education background of employees, WuXi Biologics pursues high-quality talents to support the long-term corporate development. In 2017, more than half of the employees have a master's degree or above. Among those, 41% of the employees have master's degree, and more than 10% have PhD degree. Other 36% of the employees have bachelor's degree as shown in figure 18.

For talent retention, WuXi Biologics strives to maintain a high retention rate of scientists, which promotes the development of its expanding knowledge base. In order to continue attracting, developing and retaining talented people to support our rapid growth, WuXi Biologics will continue searching for the best talents and successful people in the industry by: (1) Providing more opportunities to collaborate with world-class scientists in the field of biological pharmaceuticals and access to cutting-edge technologies; (2) Providing systematic training and development programs to enhance their knowledge, capabilities and career development; (3) Providing competitive compensation packages that are tied to their performance; and (4) Implementing the share based compensation plan to align their long-term interests with the interests of WuXi Biologics and its shareholders. As of December 31, 2017, WuXi Biologics has granted 177,647,945 shares to 454 employees, covering approximately 18% of the total workforce. In addition, WuXi Biologics has plans to grant restricted shares to new employees and good performers in the future too.

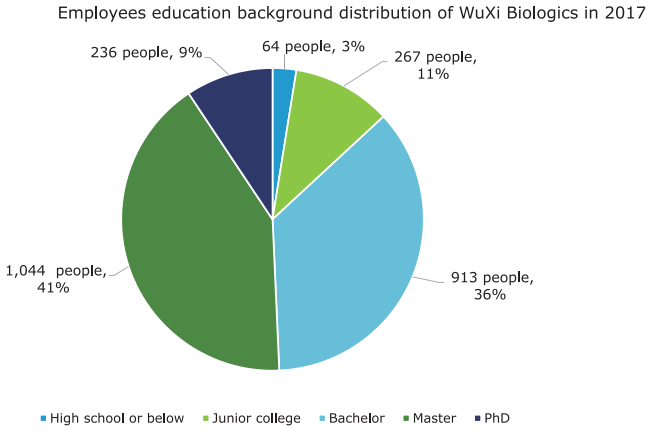


Figure 18: Employee by education background of WuXi Biologics in 2017

WuXi Biologics strictly complies with the China laws and regulations, and opposes to any act of using child labour and forced labour. In article 5.8 of WuXi Biologics Employee Recruitment Management Policies, it clearly states that all employees who are formally employed must be 18 years old and strictly forbids illegally employing or exploiting children (i.e. children under the age of 16). During the year of 2017, WuXi Biologics did not have any case of child labour or forced labour.

2. Employees Health and Safety

WuXi Biologics establishes the Industrial Hygiene (Occupational Health) Management Policies, and adheres to the policy of "prevention first with comprehensive management", and takes effective measures to eliminate or reduce the factors that may harm the health of employees. WuXi Biologics reduces the occupational health risk at workplace to the minimum, and create a healthy and safe working environment for its employees.

WuXi Biologics carries out strict safety inspection system. WuXi Biologics conducts safety inspection on each laboratory every month, document inspection record, and lower the rating if problem identified and keep track on the improvement progress to make sure the safety loophole is eliminated completely. In addition, WuXi Biologics promotes three-level training of safety production standard, which is divided into corporate level, departmental level and group level. The corporate level training is conducted every year while the departmental level is conducted every month. The group level training is conducted every morning in accordance with the safety and compliance daily routine of WuXi Biologics. Before new employees officially commence work, they need to attend safety training before on boarding, and such training is categorized into plant level, workshop level, and team level.

To reduce the damage to employees from occupational injury, WuXi Biologics places a total of 29 first-aid kits, based on the standard of one kit for every hundred people, at different locations on each floor in the plant buildings, to ensure that the injured employee can receive proper medical treatment as soon as possible. For accident that leads to injury, WuXi Biologics follows the occupational health accident treatment process in the Industrial Hygiene (Occupational Health) Management Policies for follow up. The EHS Department will investigate the accident, and relevant personnel (such as direct supervisor, EHS Department or HR Department) will conduct psychological counselling for the people involved.

In 2017, there was no reported occupational injury of employees in WuXi Biologics. The on-site testing results of the annual occupational-disease-inductive factors were all passed, which was in accordance with relevant national regulations.

3. Development and Training

Talent is the core competitiveness of a company's long-term development. WuXi Biologics has created a diversified and practical training system for the employees to meet their needs of development and fulfil WuXi Biologics's strong need of management team and future leaders. WuXi Biologics's top executives, Human Resources Department and every other department are highly committed to employee training and development. The executives themselves are technical experts, and they often train the employees in person to share their learning experience and technical skills of the industry.

WuXi Biologics values equal training opportunities for both male and female employees at different jobs. In 2017, each department actively organized various types of training. For example in 2017, different compliance trainings were organized for 1,989 male and 2,315 female employees for a total of 4,994.5 training hours. A total of 122 training classes were organized by the HR for courses to improve employees' management ability and professional skills. There were a total of 31,451 of training hours provided to employees at different positions and the training time for each employee was 12.37 hours. A total of 6,063 times employees have attended the training, and the times of male and female employees attended were 2,761 and 3,302 respectively.

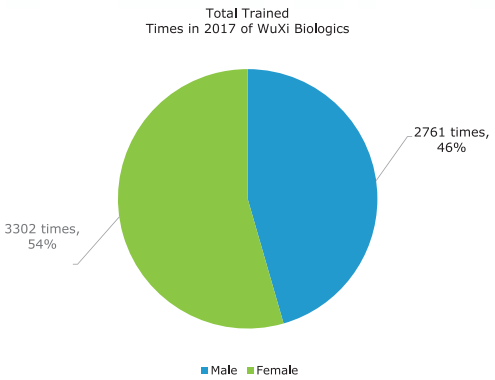


Figure 19: Employee training of WuXi Biologics in 2017

At the beginning of every year, the Human Resources Department develops the WuXi Biologics Learning and Development Plan, which covers various training programs for different positions. The training programs include projects such as Chemistry, Manufacturing and Controls ("**CMC**") Training Camp and the Elite Program, etc.

- Case: The CMC Training Camp which focuses on developing technical management team

Figure 19: The trainees were concentrated in listening to the lecture at the CMC training camp.

At the end of 2016, WuXi Biologics selected a group of employees who have potentials in CMC management to join the CMC Training Camp for one year. The CMC Training Camp has been systematically designed and planned in advance with clear project objectives, trainee selection and training methods. The project committee is composed of the company executives, Human Resources Department and people in charge of the different business units. The trainees have acquired the necessary knowledge and skills during this year, and have been identified as future talents for the management of CMC projects. In this program, WuXi Biologics had a total of 21 senior management members participating in the training deliveries, and many of them are industry experts in specific technology areas, which effectively ensured that the project could achieve the goal with high quality.

- Case: Management trainee program to meet the rapid business development – the Elite Program

In 2017, WuXi Biologics launched the management trainee program named as "the Elite Program" which is dedicated to identifying the best talents around the world and helping them to grow as good management personnel through a two-year training programme. During the training period, WuXi Biologics helps the selected personnel develop and become excellent management executives through comprehensive training plans, including three to four cross-department job rotation, systematic training courses, customized personal development plan and a dual-mentoring system.

Today, the first group of 16 trainees (including 15 PhDs, among whom 5 are returnees after studying abroad) have been on board, and most of them have successfully completed the first job rotation. The 2018 Elite Program is expected to recruit 45 trainees. With full support from top management, Human Resources Department and all business units, WuXi Biologics believes that the program will be able to cultivate a number of excellent talents in the field of bio-pharmaceuticals.

Figure 20: The warm atmosphere at the scene of the Elite Program

- Case: Employees participate in "Cadre Management Training Program"

Since the 2nd half of 2017, WuXi Biologics has organized the "Cadre Management Training Program", with a total of 47 employees (30 male and 17 female) participated in its first training session. The total training time was 2,256 hours. The project aims to improve the management skills and application abilities of middle to high management team.

Figure 21: A representative actively answered questions at the scene of "cadre Management Training Program"

4. Employee Care

WuXi Biologics pays attention to the work life balance of our employees. While WuXi Biologics supports its employees to complete their work, it also organize a variety of activities to enrich their leisure lives. Employees can participate in various group activities, such as badminton club, dance association, kayak club, choir, cycling club and etc. WuXi Biologics provides financial support to the activities of the clubs and help promote these activities in the internal magazines.

- Case: Company Badminton Competition

  On September 23, 2017, WuXi Biologics organized the first Badminton Friendly Match among the employees from three sites.

Figure 22: Group photo of the players of the company badminton game

- Case: WuXi Biologics employees' birthday party

  WuXi Biologics organizes monthly birthday party for the employees to celebrate their birthdays with colleagues.

Figure 23: Employees' birthday party in October, 2017

Chapter 7 Responsibilities to Our Environment

1. Emissions

As an environmental friendly biologics technology platform company, WuXi Biologics strictly complies with the Environmental Protection Law and other applicable laws and regulations. WuXi Biologics takes the responsibilities of protecting the environment, and proactively promotes energy conservation and emission reduction. WuXi Biologics has established the Chemicals Safety Management Policies, Industrial Hygiene (Occupational Health) Management Policies, Hazardous Waste Management Plan, and relevant procedures and documents to ensure the biologics development and manufacturing have very minimal impact on the environment. WuXi Biologics establishes Environment Health Safety ("**EHS**") Department and deploys dedicated professionals to improve the environment protection system, and to carry out effective mechanism in daily operation. In addition, the State Environmental Protection Administration has taken corresponding environmental impact assessment ("**EIA**") tests for all the operational sites and issued the EIA report to diagnose the emission conditions of waste water, waste gas, noise, and solid waste. The results showed that three kinds of waste water emitted from projects are discharged through sewage pipe network, and are eventually discharged after the standard treatment by the sewage treatment plant. The waste water does not discharge into the surface drainages, and will not have direct impact on the surrounding surface water environment. The emission of hydrogen chloride and non-methane hydrocarbon can meet the discharging standard, and the waste gas has little impact on the surrounding companies and residents after dilution in the air. The noise emission has little impact on the surrounding environment, and will not change the acoustic quality of the surrounding area. The disposal rate of various solid waste is 100%, which will not affect the surrounding environment. WuXi Biologics sets up environmental risk control measures by identifying the environmental risk sources. WuXi Biologics carries out routine follow-up inspections to prevent the failure of environmental risk control measures, and to avoid the consequences of environmental risks.

The Suzhou site mainly focuses on biosafety testing. With only a very small scale of operation of 116 employees in total in addition to the fact that, it has no emission of industrial waste water or gas, therefore its environmental data is not collected and disclosed in this chaper of the Report.

From January 1, 2017 to December 31, 2017, there was no incident of excessive emissions in WuXi Biologics.

- *Waste gas emission*

  A small volume of waste gas will be discharged from the exhaust system through the fuming hood during the operations in the laboratories of WuXi Biologics. There is a treatment device installed at the end of the ventilation system in each laboratory to ensure gas emission can meet the standard. In 2017, The Company's emissions are in compliance with national regulations, and WuXi Biologics had a third party environmental record to ensure the emissions would not adversely impact the environment.

- *Solid waste emission*

  ➢ Hazardous waste

  According to the Environment Protection Law of the People's Republic of China, Law of the People's Republic of China on the Prevention and Control of Solid Waste Pollution, the Prevention and Control of Environmental Pollution by Discarded Dangerous Chemicals and relevant laws and regulations, WuXi Biologics has established the Hazardous Waste Management Policies to supervise and manage the production, collection, storage, transfer and disposal of hazardous waste. WuXi Biologics requires the person in charge of the department which generates the hazardous waste to ensure the safe and legitimate disposal of the waste, and all the employees of the department should understand the classification and the disposal method of hazardous waste. In the process of disposal, all hazardous wastes are processed according to the standard procedures. The employees are required to be protected in the process, and different types of waste are properly placed in different temporary storage areas.

  In 2017, WuXi Biologics had a total generation of hazardous waste of 521.63 tons. The hazardous waste per capita was 205.12 kg. In 2017, WuXi Biologics had no environmental pollution due to hazardous waste.

  ➢ Office solid waste

  WuXi Biologics reports to Shanghai Waste Management Centre for the disposal costs of office solid waste, and the government is responsible for the clean-up and disposal work. In 2017, the office solid waste generated in Shanghai site of WuXi Biologics was 32,400 liters. The office solid waste per capita was 27.41 liters per person. The office solid waste generated in WuXi was 240 tons. The office solid waste per capita was 195.76 kg per person.

2. Use of Resources

- *Electricity and gas consumptions*

  In 2017, WuXi Biologics's consumption of electricity was 32,952,715 kWh, and the electricity consumption per capita was 13,055.75 kWh per person. The consumption of gas was 2,002,403 cubic meters, and the per capita gas consumption was 793.35 cubic meters per person. WuXi Biologics had a total carbon dioxide emission of 5,513.15 tons, and the per capita carbon dioxide was 2.34 tons per person.

- *The usage of packaging materials*

  There is no usage of large-scale packaging materials in WuXi Biologics. There is usage of pharmaceutical packaging materials in small batches at Wuxi site, and most of them are penicillin bottles, rubber plugs, and aluminium caps. In 2017, WuXi Biologics had a total consumption of packaging materials of about 7,303.3 kg.

3. Water Resources Management

In 2017, The WuXi Biologics's total water usage was 329,983.42 cubic meters, and the water usage per capita was 130.74 cubic meters per person. WuXi Biologics responds to the government's call for energy conservation and emissions reduction, and makes efforts in technical saving and reuse of water.

- *Case: Water saving in the integrity tests*

  In the process of solution preparation in the relevant system, the filter elements are subject to online integrity tests to guarantee the culture medium is filtered in a sterile way. It usually consumes 750 liters of water for injection for a single filter element wetting. A batch of production needs to consume about 12 tons of water for injection.

  In order to save water, WuXi Biologics remoulded the process of filter element wetting to achieve the same wetting effect by upgrading the equipment. This method can help achieve the result of the online integrity test, and can also greatly reduce the amount of water consumption by about 95%.

  This idea received "The Most Cost-Saving Golden Idea of 2nd Quarter 2017".

Most of the waste water of WuXi Biologics is generated by daily biologics development experiments. WuXi Biologicsis is equipped with a sewage treatment station to uniformly collect and process the waste water. WuXi Biologics has installed the online Chemical Oxygen Demand ("**COD**") detection equipment, and established the supporting water treatment operation procedures. WuXi Biologics has also arranged personnel to carry out the operational maintenance work for the sewage treatment station regularly. Periodical self-inspections on the water samples and irregularity monitoring of the environmental monitoring station are conducted to ensure that the treated effluent meets the discharge standards set for the municipal pipe networks.

Our Shanghai site works with the third-party sewage treatment company that the waste water generated will not go directly into the groundwater, but is delivered directly to the third party. In 2017, Shanghai site generated approximately 300 tons of waste water.

Our Wuxi site works with the governmental sewage treatment station, and the government is responsible for processing the waste water collected. The Wuxi site generated a total of 39,780 tons of waste water in 2017.

In 2017, WuXi Biologics's waste water treatment rate reached 100%, and it has promoted the work of reutilization of waste water. Our Wuxi site carries out the re-use of concentrated water to reduce the amount of waste water discharged and to realize the recycle of waste water resources.

- *Case: Wuxi Site adopts the concentrated water reuse project*

  Our Wuxi Site produces large volume of concentrated water and boiler cooling water. If these water was discharged into the sewage treatment system, it will waste a lot of water resources and bring larger burden on the sewage treatment system. Additionally, it will increase the cost of sewage treatment to a great extent.

  Therefore, WuXi Biologics has designed and implemented the concentrated water reuse project which reduced waste water discharged and recycled the water resource. After completion of this project, the effect of water-saving is obvious. By mid-April, 2017, the amount of running water and the amount of waste water discharged have already met the targets, and the amount of sewage has been reduced to less than half of the total limit. The annual saving of the cost of water consumption is estimated to be around RMB383,000.

- *Case: Disposable bioreactor*

  Disposable bioreactor is made with certified plastic materials (polyethylene, ethylene vinyl acetate, polycarbonate, polystyrene, etc.), which is ready to use and can only be used once for incubation. The reactor is pre-sterilized which can eliminate the step of "sanitize-in-place" ("**SIP**") and the step of "clean-in-place" ("**CIP**"), so it can be quickly put into usage and shorten the production cycle. And, from the good manufacturing practices ("**GMP**") perspective, the high cost of verification of sanitization and cleaning is saved. While on the other hand, due to the need of SIP and CIP, the traditional stainless steel reactor consumes a lot of water and energy, which is not so friendly to the environment. In addition, the waste produced by a disposable bioreactor has a comparatively much less impact on the environment.

Figure 24: Disposable bioreactor

Chapter 8 Responsibilities to Our Society

1. Commitment to Community & Public Services

WuXi Biologics has always been very passionate about public services, and WuXi Biologics has been sharing the belief of giving back to society and developing together.

- *Case: 2017 voluntary blood donation*

  On November 1, 2017, WuXi Biologics actively cooperated with the Blood Management Office of Pudong New District of Shanghai to participate the annual voluntary blood donation activity. This activity was organized by WuXi AppTec, with participants of its associates including WuXi Biologics. The total number of applicants was 360. The actual number of participants was 314, and the number of final qualified applicants was 270. With a blood donation of 200cc per person, the total volume of blood donated was 54,000cc.

- *Case: Joining hands with Shanghai Senlan Community's parent-child reading club, and co-organizing the "Micro World & Family Sports"*

  On November 11, 2017 at Shanghai Xi Yue Club, WuXi Biologics invited ten families with fifteen parents and fourteen children to participate the activity of "Micro World & Family Sports". It helped the children experience the mysteries of the world under the microscopes.

Figure 25: A little girl was looking through a microscope curiously

Figure 26: A little boy posed a victory sign excitedly

2. University-Enterprise Cooperation

In 2017, WuXi Biologics emphasized on the investment in education and talents, and actively participated in the university-enterprise cooperation program to provide benefits and scholarships to the students and sponsored club activities. WuXi Biologics cooperates with the College of Engineering in Jiangnan University, and establishes scholarships and research grants. WuXi Biologics firmly believes that it should strive to work with college and university to develop talents that can meet the enterprise's needs while demonstrating academic excellence of the university at the same time. This win-win situation can only be achieved jointly with the cooperation with colleges and universities.

- *Case: The scholarships and research grants award ceremony held at Jiangnan University*

  On December 14, 2017, WuXi Biologics awarded the prizes to 15 students and 2 teachers at the award ceremony of scholarships and research grants of Jiangnan University sponsored by WuXi Biologics.

  Since 2014, WuXi Biologics has provided scholarships and research grants to excellent students and teachers at Jiangnan University for four consecutive years. Every year, there are averagely 15 excellent students and teachers receiving such scholarships and research grants.

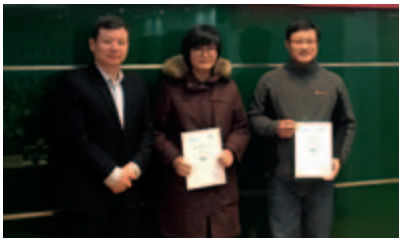


Figure 27: Representative of WuXi Biologics awarded the prizes to the award-winning teachers and students

Deloitte. 德勤

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

Opinion

We have audited the consolidated financial statements of WuXi Biologics (Cayman) Inc. (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 102 to 182, which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of trade receivables and unbilled revenue	
We identified the impairment assessment of trade receivables and unbilled revenue as a key audit matter due to significance of the Group's trade receivables and unbilled revenue in the context of the Group's consolidated financial statements, combined with the management judgments involved. As disclosed in Note 18 to the consolidated financial statements, as at December 31, 2017, the carrying amount of trade receivables and unbilled revenue amounted to approximately RMB 314.3 million (net of allowance for doubtful debts of RMB 17.4 million) which represented approximately 10.4% of the Group's total current assets. As disclosed in Note 4 to the consolidated financial statements, where the future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, impairment loss may arise. Estimation of future cash flows requires the use of management estimation and involves uncertainty.	Our procedures in relation to the impairment assessment of trade receivables and unbilled revenue included: • Obtaining an understanding of the management controls over the impairment assessment of trade receivables and unbilled revenue; • Involving IT specialists in testing the aging report of trade receivables and unbilled revenue produced by the Company's financial system and checking to the supporting documents for its accuracy, on a sample basis; and • Evaluating the reasonableness and adequacy of the Group's trade receivables and unbilled revenue provision with reference to the aging report, the contract billing term, the past default history and subsequent settlement of the trade receivables and subsequent billing and settlement of unbilled revenue.

Key audit matter	How our audit addressed the key audit matter
Valuation of allowance for service work in progress	
We identified the valuation of allowance for service work in progress as a key audit matter due to significance of the Group's service work in progress in the context of the Group's consolidated financial statements, combined with the management judgments involved in the net realizable value. Service work in progress mainly consists of cost of materials consumed, cost of direct labour, other direct costs and related overheads engaged in providing the biologics discovery, development and manufacturing service. As disclosed in Note 17 to the consolidated financial statements, as at December 31, 2017, the carrying amount of service work in progress amounted to approximately RMB 202.4 million. As disclosed in Note 4 to the consolidated financial statements, allowances are applied to service work in progress where events or changes in circumstances indicate that the net realizable value is lower than the cost of service work in progress. The assessment of net realizable value requires the use of management estimates.	Our procedures in relation to the impairment assessment of service work in progress included: • Obtaining an understanding of the management controls over the assessment of the net realizable value; • Examining the reasonableness of the net realizable value, on a sample basis, by checking the contracted selling price to be recognized upon the completion of the service work in progress and the estimated percentage of completion at the end of the reporting period; • Examining the accuracy of the budgeted costs used in the determination of the percentage of completion at the end of the reporting period by performing retrospective review; • Performing detailed analysis on whether there is any slow-moving service work in progress which has impairment issue; and • Evaluating the adequacy of impairment provision on service work in progress with reference to subsequent selling of the service work in progress.

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditor's Report

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Joseph Wing Ming Chan.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

March 19, 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended December 31, 2017

The Group

	NOTES	**2017 RMB'000**	2016 RMB'000
Revenue	5	**1,618,829**	989,029
Cost of services		**(958,272)**	(599,919)
Gross profit		**660,557**	389,110
Other income	6	**34,694**	7,523
Other gains and losses	7	**(103,610)**	(1,538)
Selling and marketing expenses		**(27,622)**	(15,326)
Administrative expenses		**(134,019)**	(94,606)
Research and development expenses		**(74,479)**	(53,282)
Other expenses	9	**(16,143)**	(31,880)
Finance cost	8	**(35,691)**	(24,155)
Profit before tax	9	**303,687**	175,846
Income tax expense	10	**(51,059)**	(34,750)
Profit and total comprehensive income for the year		**252,628**	141,096
		RMB	RMB
Earnings per share - Basic	12	**0.24**	0.15
– Diluted	12	**0.22**	0.15

Consolidated Statement of Financial Position

At December 31, 2017

	NOTES	2017 RMB'000	2016 RMB'000
Non-current Assets			
Plant and equipment	13	**1,780,172**	**1,152,770**
Deferred tax assets	14	**6,855**	**2,370**
Deposits paid for acquisition of a land use right		**17,128**	**—**
Other long-term deposits	15	**11,378**	**—**
		1,815,533	**1,155,140**
Current Assets			
Inventories	16	**135,547**	**78,988**
Service work in progress	17	**202,389**	**122,702**
Trade and other receivables	18	**614,302**	**419,376**
Income tax recoverable		**—**	**6,426**
Financial assets designated as at fair value through profit or loss ("FVTPL")	19	**641,333**	**—**
Pledged bank deposits	20	**21,189**	**33,262**
Time deposits	20	**914,788**	**—**
Bank balances and cash	20	**503,881**	**169,102**
		3,033,429	**829,856**
Current Liabilities			
Trade and other payables	21	**784,669**	**558,088**
Loan from a related party	22	**—**	**183,417**
Income tax payable		**13,405**	**8,949**
Bank borrowings	23	**—**	**39,000**
Obligations under a finance lease	24	**—**	**11,371**
		798,074	**800,825**
Net Current Assets		**2,235,355**	**29,031**
Total Assets Less Current Liabilities		**4,050,888**	**1,184,171**

Consolidated Statement of Financial Position

At December 31, 2017

	NOTES	2017 RMB'000	2016 RMB'000
Non-current Liabilities			
Bank borrowings	23	**—**	**866,000**
Obligations under a finance lease	24	**—**	**29,655**
Deferred revenue	25	**19,711**	**12,559**
Deferred tax liabilities	14	**6,817**	**5,490**
		26,528	**913,704**
Net Assets		**4,024,360**	**270,467**
Capital and Reserves			
Share capital	26	**192**	**158**
Reserves		**4,024,168**	**270,309**
Total Equity		**4,024,360**	**270,467**

The consolidated financial statements on page 102 to 182 were approved and authorized for issue by the Board of Directors on March 19, 2018 and are signed on its behalf by:

Zhisheng Chen
DIRECTOR

Weichang Zhou
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended December 31, 2017

	Share capital RMB'000	Share premium RMB'000	Statutory reserve RMB'000 (Note i)	Equity-settled share-based compensation reserve RMB'000 (Note ii)	Reorganization reserve RMB'000 (Note iii)	Special reserve RMB'000 (Note iv)	Retained earnings RMB'000	Total RMB'000
At January 1, 2016	–	–	10,124	33,845	(4,636)	64,339	42,329	146,001
Profit and total comprehensive income for the year	–	–	–	–	–	–	141,096	141,096
Tranfer to statutory reserve	–	–	17,892	–	–	–	(17,892)	–
Recognition of equity-settled share-based compensation	–	–	–	47,551	–	–	–	47,551
Assumption of a liability to WXAT Shanghai	–	–	–	–	–	(64,339)	–	(64,339)
Ordinary shares issued	158	–	–	–	–	–	–	158
At December 31, 2016	158	–	28,016	81,396	(4,636)	–	165,533	270,467
Profit and total comprehensive income for the year	–	–	–	–	–	–	252,628	252,628
Tranfer to statutory reserve	–	–	23,923	–	–	–	(23,923)	–
Recognition of equity-settled share-based compensation	–	–	–	65,076	–	–	–	65,076
Issue of shares at premium through initial public offerings (Note 26)	34	3,572,905	–	–	–	–	–	3,572,939
Transaction costs attribute to issue of new shares	–	(136,750)	–	–	–	–	–	(136,750)
At December 31, 2017	192	3,436,155	51,939	146,472	(4,636)	–	394,238	4,024,360

Notes:

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

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

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

(iv) Historically, part of the Group's principal business, which is providing biologics discovery, development and manufacturing service, was carried out by a fellow subsidiary of the Company, WuXi AppTec (Shanghai) Co., Ltd. ("WXAT Shanghai"). As part of the Group Reorganization, WXAT Shanghai ceased to operate biologics discovery, development and manufacturing service (the "Biologics Business Unit") and transferred to WuXi Biologics (Shanghai) Co., Ltd. ("Shanghai Biologics") all relevant assets and liabilities, except for the trade payables and certain plant and equipment, related specifically to the biologics discovery, development and manufacturing service (the "Business Transfer").

The special reserve reflects reserve movements related to the operations of the Biologics Business Unit.

As a result and for the purpose of the closure of the Business Transfer, the Company assumed an obligation to pay to WXAT Shanghai the balance of the cumulative profit or loss of the Biologics Business Unit and the cumulative net funding contributed by WXAT Shanghai into Biologics Business Unit up to the date of the Business Transfer, aggregating to RMB64,339,000.

Consolidated Statement of Cash Flows

For the year ended December 31, 2017

	2017 RMB'000	2016 RMB'000
OPERATING ACTIVITIES		
Profit before tax	**303,687**	175,846
Adjustments for:		
Interest expense	**35,691**	24,155
Depreciation for plant and equipment	**122,748**	93,185
Allowance for doubtful debts	**13,747**	5,696
Impairment loss on inventories and service work in progress	**2,665**	—
Net foreign exchange loss (gain)	**25,382**	(9,223)
Share-based compensation expense	**65,076**	47,551
Income from government grants and subsidies	**(1,298)**	(1,478)
Interest income	**(8,746)**	—
Gain on changes in fair value of financial assets designated as at FVTPL	**(6,877)**	—
Loss on disposal of plant and equipment	**1,001**	90
	553,076	335,822
Income tax paid	**(43,335)**	(47,461)
Operating cash flows before movements in working capital	**509,741**	288,361
Increase in inventories and service work in progress	**(138,911)**	(51,146)
Increase in trade and other receivables	**(203,076)**	(142,236)
Increase in other long-term deposits	**(11,378)**	—
Increase (decrease) in trade and other payables	**203,904**	(13,058)
NET CASH PROVIDED BY OPERATING ACTIVITIES	**360,280**	81,921
INVESTING ACTIVITIES		
Proceeds on disposal of plant and equipment	**50**	—
Purchase of plant and equipment	**(670,601)**	(428,883)
Deposits paid for acquisition of a land use right	**(17,128)**	—
Government grants and subsidies received	**8,450**	5,250
Withdrawal of pledged bank deposits	**135,450**	26,769
Placement of pledged bank deposits	**(123,377)**	(50,967)
Withdrawal of financial assets designated as at FVTPL	**1,275,430**	—
Placement of financial assets designated as at FVTPL	**(1,909,886)**	—
Receipt of interest from bank	**3,149**	—
Placement of time deposits	**(914,788)**	—
Option fee received (Note 21)	**—**	26,687
NET CASH USED IN INVESTING ACTIVITIES	**(2,213,251)**	(421,144)

Consolidated Statement of Cash Flows

For the year ended December 31, 2017

	2017 RMB'000	2016 RMB'000
FINANCING ACTIVITIES		
Proceeds from bank borrowings	**346,585**	918,000
Repayment of bank borrowings	**(1,238,616)**	(13,000)
Interest paid	**(36,292)**	(29,759)
Finance lease charges paid	**(476)**	(640)
Repayment of obligation under a finance lease to a related party	**(10,869)**	(11,689)
Advance from related parties	**55,026**	176,202
Repayment to related parties	**(238,915)**	(455,859)
Repayment to related parties in relation to Group Reorganization	**(83,325)**	(250,492)
Proceeds from issue of ordinary shares	**3,572,939**	—
Payment of listing related expense	**(136,750)**	—
NET CASH PROVIDED BY FINANCING ACTIVITIES	**2,229,307**	332,763
Effects of exchange rate changes	**(41,557)**	17,333
NET INCREASE IN CASH AND CASH EQUIVALENTS	**334,779**	10,873
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**169,102**	158,229
CASH AND CASH EQUIVALENTS AT END OF YEAR, REPRESENTED BY BANK BALANCES AND CASH	**503,881**	169,102

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 since June 13, 2017. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section to the annual report. The Company is an investment holding company. 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 Revised International Financial Reporting Standards ("IFRSs")

Amendments to IFRSs that are mandatorily effective for the current year

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

Amendments to IAS 7	*Disclosure Initiative*
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealized Losses*
Amendments to IFRS 12	*As part of the Annual Improvements to IFRSs 2014-2016 Cycle*

Except as described below, the application of the 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.

Amendments to IAS 7 Disclosure Initiative

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

2. Application Of New And Revised International Financial Reporting Standards ("IFRSs") (Continued)

Amendments to IFRSs that are mandatorily effective for the current year (Continued)

Amendments to IAS 7 Disclosure Initiative (Continued)

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in Note 32. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in Note 32, the application of these amendments has had no impact on the Group's consolidated financial statements.

New and revised IFRSs in issue but not yet effective

The Group has not early applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9	*Financial Instruments*[1]
IFRS 15	*Revenue from Contracts with Customers and the related Amendments*[1]
IFRS 16	*Leases*[2]
IFRS 17	*Insurance Contracts*[4]
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*[1]
IFRIC 23	*Uncertainty over Income Tax Treatments*[2]
Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*[1]
Amendments to IFRS 9	*Prepayment Features with Negative Compensation*[2]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*[2]
Amendments to IAS 28	*Long-term interests in Associates and Joint Ventures*[2]
Amendments to IAS 40	*Transfers of Investment Property*[1]
Amendments to IAS 28	*As part of the Annual Improvements to IFRSs 2014-2016 Cycle*[1]
Amendments to IFRSs	*Annual Improvements to IFRSs 2015-2017 Cycle*[2]

1 Effective for annual periods beginning on or after January 1, 2018.
2 Effective for annual periods beginning on or after January 1, 2019.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after January 1, 2021.

2. Application Of New And Revised International Financial Reporting Standards ("IFRSs") (Continued)

New and revised IFRSs in issue but not yet effective (Continued)

Except as described below, the directors of the Company anticipate that the application of all other new and amendments to IFRSs and Interpretations will have no material impact to the Group's consolidated financial statements in the foreseeable future.

IFRS 9 Financial Instruments

IFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of IFRS 9 that are relevant to the Group are described as follows:

- all recognized financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income ("FVTOCI"). All other financial assets are measured at their fair value at subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.
- in relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

2. Application Of New And Revised International Financial Reporting Standards ("IFRSs") (Continued)

New and revised IFRSs in issue but not yet effective (Continued)

IFRS 9 Financial Instruments (Continued)

Based on the Group's financial instruments and risk management policies as at December 31, 2017, the directors of the Company anticipate the following potential impact on initial application of IFRS 9:

The classification and measurement of the financial assets and financial liabilities will continue to be measured on the same bases as are currently measured under IAS 39.

In general, the directors of the Company anticipate that the application of the expected credit loss model of IFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortized costs and other items that subject to the impairment provision upon application of IFRS 9 by the Group.

However, the directors of the Company do not anticipate that the application of IFRS 9 will have a material impact to the consolidated financial statements in the future.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective.

2. Application Of New And Revised International Financial Reporting Standards ("IFRSs") (Continued)

New and revised IFRSs in issue but not yet effective (Continued)

IFRS 15 Revenue from Contracts with Customers (Continued)

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

In 2016, the IASB issued Clarifications to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The Group recognizes revenue from providing research services to its customers through fixed-fee per contract ("Fee-for-service") and from research services provided on a full-time-equivalent ("FTE") basis. Details of the revenue recognition policy are disclosed in Note 3.

The directors of the Company anticipate that the application of IFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of IFRS 15 will have a material impact on the timing and amounts of revenue recognized in the respective reporting period.

2. Application Of New And Revised International Financial Reporting Standards ("IFRSs") (Continued)

New and revised IFRSs in issue but not yet effective (Continued)

IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 *Leases* and the related interpretations when it becomes effective.

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is 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.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under IAS 17 are presented as operating cash flows; whereas under the IFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

Under IAS 17, the Group has already recognized an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of IFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

2. Application Of New And Revised International Financial Reporting Standards ("IFRSs") (Continued)

New and revised IFRSs in issue but not yet effective (Continued)

IFRS 16 Leases (Continued)

As at December 31, 2017, the Group has non-cancellable operating lease commitments of RMB162,598,000 as disclosed in Note 29. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of under IFRS 16, the Group will recognize a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid as rights under leases to which IAS 17 applies. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortized cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets.

Furthermore, the application of new requirements may result in changes in measurements, presentation and disclosure as indicated above.

3. Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with IFRSs issued by 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 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, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are within the scope of IAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

3. Significant Accounting Policies (Continued)

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the consolidated financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

3. Significant Accounting Policies (Continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts received or receivable for services provided in the normal course of business, net of discounts and sales related taxes.

The Group primarily earns revenues by providing research services to its customers through Fee-for-service contracts. Contract duration ranges from a few months to years. The Group recognizes revenues of contractual elements upon finalization, delivery and acceptance of the deliverable units, which is generally in the form of a technical laboratory report and/or product/samples. Excess of the amount of revenue recognized over the amount billed on a particular contract is included in trade and other receivables as unbilled revenue. Amounts billed in accordance with pre-agreed payment schedule specified in the contract in advance of the Group fulfilling its contractual obligations and recognizing revenue are recorded in current liabilities as advance from customers. Most contracts are terminable by the customers, with or without prior notice. These contracts often require payment to the Group a fee to compensate costs incurred up to the date of termination or, in some cases, a termination fee. Such payments are included in revenues when earned.

For the research services provided on a FTE basis, the Group provides its customer with a project team of employees dedicated to the customer's studies for a specific period of time and charges the customer at a fixed hourly/daily rate per employee. The Group recognizes revenue based on the number of employees assigned to the team and the amount of time they have worked on the project. FTE contracts do not require acceptance by the customer of specified deliverables from the Group.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time apportionment basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

3. Significant Accounting Policies (Continued)

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Finance expenses are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's policy on borrowing costs (see the accounting policy below).

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expense the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire plant and equipment are recognized as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

3. Significant Accounting Policies (Continued)

Research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities is recognized if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in profit or loss in the year in which they are incurred.

Retirement benefit costs

The Group participates in state-managed retirement benefit schemes, which are defined contribution schemes, pursuant to which the Group pays a fixed percentage of its qualifying staff's wages as contributions to the schemes. Payments to such retirement benefit schemes are charged as an expense when employees have rendered service entitling them to the contributions. No forfeited contribution is available to reduce the contribution payable in the future years.

3. Significant Accounting Policies (Continued)

Short-term employee benefits

Short-term employee benefits are recognized at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognized as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognized for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before tax" as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

3. Significant Accounting Policies (Continued)

Taxation (Continued)

Deferred tax (Continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognized in profit or loss.

Plant and equipment

Plant and equipment other than construction in progress are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of plant and equipment other than construction in progress over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of the reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Plant and equipment in the course of construction for production are carried at cost less any recognized impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Such assets are classified to the appropriate category of plant and equipment when completed and ready for their intended use. Depreciation of these assets, on the same basis as other assets, commences when the assets are ready for their intended use.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognized.

3. Significant Accounting Policies (Continued)

Impairment losses on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows of the tangible asset (or the cash-generating unit) are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Inventories and service work in progress

Inventories and service work in progress are stated at the lower of cost and net realizable value. Costs of inventories are determined on a weighted average method. Service work in progress consists of cost of materials consumed (determined on a weighted average method), cost of labor and other costs of personnel directly engaged in providing the biologics discovery, development and manufacturing service, including supervisory personnel, and attributable overheads. Net realizable value represents the contracted selling price less all estimated costs of completion and costs necessary to make the sale.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchanges prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on retranslation of monetary items are recognized in profit or loss in the period in which they arise.

3. Significant Accounting Policies (Continued)

Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition of financial assets or issue of financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets at FVTPL and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant periods. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to its net carrying amount on initial recognition.

Interest income is recognized on an effective interest basis for debt instruments, other than those financial assets classified as FVTPL, of which interest income is included in other gains and losses.

3. Significant Accounting Policies (Continued)

Financial assets (Continued)

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial assets is (i) held for trading or (ii) it is designated at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss includes any dividend or interest earned on the financial assets and is included in the "other gains and losses" line item. Fair value is determined in the manner described in Note 28(c).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, pledged bank deposits, time deposits and bank balances and cash) are carried at amortized cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Interest income is recognized by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

3. Significant Accounting Policies (Continued)

Financial assets (Continued)

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been affected.

For loans and receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization;

For certain categories of loans and receivables such as trade receivables, assets that are assessed not to be impaired individually are in addition assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period, observable changes in national or local economic conditions that correlate with default on receivables.

The amount of the impairment loss recognized is the excess of the asset's carrying amount over the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all loans and receivables, with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment loss not been recognized.

3. Significant Accounting Policies (Continued)

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities (including trade and other payables, loan from a related party and bank borrowings) are subsequently measured at amortized cost using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant periods. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount of the financial liability on initial recognition. Interest expense is recognized on an effective interest basis.

Derecognition of financial assets and financial liabilities

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognize the asset to the extent of its continuing involvement and recognizes an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

3. Significant Accounting Policies (Continued)

Derecognition of financial assets and financial liabilities (Continued)

The Group derecognizes financial liability when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Share-based payment transactions

Equity-settled share-based transactions

Share options granted to employees

Equity-settled share-based payment to employees (including directors of the Company) are measured at the fair value of the services received, unless that fair value cannot be estimated reliably. If the fair value of the services received cannot be reliably estimated, their value are measured by reference to the fair value of the equity instruments granted. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 34.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (equity-settled share-based compensation reserve). At the end of the reporting period, the Group reviews its estimates of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimates, with a corresponding adjustment to the equity-settled share-based compensation reserve.

When the share options are exercised, the amount previously recognized in the equity-settled share-based compensation reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognized in the equity-settled share-based compensation reserve will be transferred to retained earnings.

Equity instruments granted by the then ultimate holding company to employees of the Group

The grant by the then ultimate holding company of equity instruments under its employee stock incentive plan to the employees of the Group (including directors of the Company) is treated as equity-settled share-based payments in the consolidated financial statements. An expense for the grant date fair value of the equity instruments under the employee stock incentive plan is recognized over the vesting period of the instruments, with a corresponding increase in equity. The increase in equity is treated as a deemed capital contribution into the Group and is included in equity-settled share-based compensation reserve.

4. Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgement, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4. Key Sources of Estimation Uncertainty (Continued)

Estimated impairment of trade receivables and unbilled revenue

When there is objective evidence of impairment loss, the Group estimates the future cash flows from the trade receivables and unbilled revenue. The amount of the impairment loss is measured as the difference between the carrying amount of the trade receivables and unbilled revenue and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition) of the trade receivables and unbilled revenue. Where the future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, impairment loss may arise. Estimation of future cash flows requires the use of the management estimates and involves uncertainty. Actual cash flows may differ from estimate.

As at December 31, 2017, the carrying amount of trade receivables and unbilled revenue was RMB314,304,000, net of allowance for doubtful debts of RMB17,364,000 (December 31, 2016: RMB293,866,000, net of allowance for doubtful debts of RMB6,598,000).

Service work in progress

The Group assesses periodically if cost of service work in progress may not be recoverable based on an assessment of the net realizable value of service work in progress. Allowances are applied to service work in progress where events or changes in circumstances indicate that the net realizable value is lower than the cost of service work in progress. The net realizable value of service work in progress has been determined based on the contracted selling price to be recognized upon the completion of the service work in progress less all estimated remaining costs to completion and costs necessary to provide the service. Where the expectation is different from the original estimate, such difference will impact the carrying value of the service work in progress in the year in which such estimate changes.

At December 31, 2017, the carrying amounts of service work in progress were approximately RMB202,389,000, net of write down of service work in progress of approximately Nil (December 31, 2016: RMB122,702,000, net of write down of inventories of Nil).

4. Key Sources of Estimation Uncertainty (Continued)

Useful lives and estimated impairment on plant and equipment

The Group determines the estimated useful lives and related depreciation charges for its plant and equipment. This estimate is based on the historical experience of the actual useful lives of plant and equipment of similar nature and functions. The Group will increase the depreciation charge where useful lives are less than previously estimated lives, or will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

The Group regularly reviews whether there are any indications of impairment and recognizes an impairment loss if the carrying amount of an asset is lower than its recoverable amount. The Group tests for impairment for plant and equipment whenever there is an indication that the asset may be impaired. The recoverable amounts have been determined based on the higher of the fair value less costs of disposal and value in use. These calculations require the use of estimates, such as discount rates, future profitability and growth rates.

As at December 31, 2017, the carrying amount of plant and equipment (without impairment loss recognized) was RMB1,780,172,000 (December 31, 2016: RMB1,152,770,000).

Fair value measurements and valuation processes

Some of the Group's assets are measured at fair value for financial reporting purposes. In estimating the fair value of an asset, the Group uses market-observable data to the extent it is available. When Level 1 inputs are not available, the Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Note 28(c) provide detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of certain type of financial instrument.

5. Revenue And Segment Information

For the purpose of resources allocation and performance assessment, the chief operating decision maker (i.e. the chief executive officer of the Group) reviews the overall results and financial position of the Group as a whole prepared based on the same accounting policies as set out in Note 4. Accordingly, the Group has only one single operating and reportable segment and no further analysis of this single segment is present.

Entity-wide disclosure

Geographical information

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

	2017 RMB'000	2016 RMB'000
Revenue		
– United States of America ("USA")	**900,639**	505,045
– PRC	**552,039**	385,307
– Europe	**65,305**	21,094
– Rest of the world	**100,846**	77,583
	1,618,829	989,029

Information about major customers

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

	2017 RMB'000	2016 RMB'000
Customer A	**192,689**	N/A*
Customer B	**N/A***	159,547
Customer C	**N/A***	185,904

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

6. Other Income

	2017 RMB'000	2016 RMB'000
Administrative service income from WXAT Shanghai	—	81
Bank interest income	**3,149**	413
Interest income from time deposits	**5,597**	—
Government grants and subsidies related to		
– Asset (Note i)	**1,298**	1,478
– Income (Note ii)	**24,650**	5,551
	34,694	7,523

Notes:

(i) The Group has received certain government grants and subsidies to invest in laboratory equipment. The grants and subsidies were recognized in profit or loss over the useful lives of the relevant assets. Details of the grants and subsidies are set out in Note 25.

(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.

7. Other Gains and Losses

	2017 RMB'000	2016 RMB'000
Net foreign exchange (loss) gain	**(99,025)**	1,417
Provision of allowance for doubtful debts, net	**(13,747)**	(5,696)
Net gain on changes in fair value of financial assets designated as at FVTPL	**6,877**	—
Others	**2,285**	2,741
	(103,610)	(1,538)

8. Finance Cost

	2017 RMB'000	2016 RMB'000
Interest expense	**36,292**	29,759
Interest on finance lease	**476**	690
Less: amounts capitalized	**(1,077)**	(6,294)
	35,691	24,155

Borrowing costs capitalized during the year ended December 31, 2017 arose on bank borrowings and are calculated by applying a capitalization rate of 4.75% (2016: 4.75%).

9. Profit Before Tax

Profit before tax has been arrived at after charging:

	2017 RMB'000	2016 RMB'000
Depreciation for plant and equipment	**122,748**	93,185
Staff cost (including directors' emoluments):		
– Salaries and other benefits	**394,825**	244,095
– Retirement benefits scheme contributions	**51,529**	33,006
– Share-based payment expense	**65,076**	47,551
	511,430	324,652
Auditors' remuneration	**3,100**	998
Minimum operating lease payment in respect of rented premises	**34,524**	17,679
Listing expenses (included in other expenses)	**16,143**	31,880
Loss on disposal of plant and equipment	**1,001**	90
Write down of inventories (included in cost of services)	**2,665**	—
Allowance for doubtful debts	**13,747**	5,696
Research and development costs recognized as expense	**74,479**	53,282
Cost of inventories recognized as expense	**303,401**	211,274

10. Income Tax Expense

	2017 RMB'000	2016 RMB'000
Current tax:		
– the PRC Enterprise Income Tax ("EIT")	**50,721**	30,012
– Hong Kong profits tax	**1,633**	1,875
– the US Federal and State Income taxes	**1,173**	—
– the UK Income taxes	**45**	—
Under (over) provision in prior years:		
– EIT	**645**	(1,865)
Deferred tax:	**54,217**	30,022
– Current year	**(3,158)**	4,728
	51,059	34,750

Hong Kong Profits Tax for the Hong Kong subsidiaries is calculated at 16.5% of the estimated assessable profit for the years ended December 31, 2017 and 2016.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the EIT rate of the PRC subsidiaries is 25%, with the exception of WuXi AppTec Biopharmaceuticals Co., Ltd. ("WuXi Biopharma") and Shanghai Biologics.

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

Shanghai Biologics was accredited as a "High and New Technology Enterprise" in November 2016 and therefore is entitled to a one year's exemption from EIT followed by three years of 50% tax reduction with effect from the beginning of 2016 in accordance with Guo Fa No. 40. Accordingly, the applicable EIT rate of Shanghai Biologics for the year ended December 31, 2017 is 12.5% (2016: Nil).

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

10. Income Tax Expense (Continued)

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

	2017 RMB'000	2016 RMB'000
Profit before tax	**303,687**	175,846
Tax charge at the EIT rate of 25%	**75,922**	43,962
Tax effect of income that is exempt from taxation	**(300)**	(134)
Tax effect of expenses not deductible for tax purpose	**16,812**	26,404
Under (over) provision in respect of prior years	**645**	(1,865)
Effect of unused tax losses and other deductible temporary differences not recognized as deferred tax assets	**398**	337
Utilization of tax losses previously not recognized as deferred tax assets	**(2,673)**	(2,786)
Tax at concessionary rate	**(39,858)**	(35,656)
Effect of different EIT rate applied to deferred tax and current tax	**412**	5,490
Effect of different tax rate of a subsidiary operating in other jurisdiction	**(299)**	(1,002)
Income tax expenses	**51,059**	34,750

11. Directors', Chief Executive's and Employees' Emoluments

Details of the emoluments paid or payable to the directors and the Chief Executive of the Company (including emoluments for their services as managerial level employees of group entities prior to becoming the directors of the Company) for the service provided to the Group during the years ended December 31, 2017 and 2016 are as follows:

	2017 RMB'000	2016 RMB'000
Chief Executive and executive director:		
Dr. Zhisheng Chen (Note i)		
– director's fee	**—**	—
– salaries and other benefits	**1,899**	1,901
– performance-based bonus	**1,188**	836
– retirement benefits scheme contributions	**35**	86
– share-based compensation	**20,575**	19,179
	23,697	22,002
Executive director:		
Dr. Weichang Zhou (Note ii)		
– director's fee	**—**	—
– salaries and other benefits	**1,530**	1,557
– performance-based bonus	**802**	641
– retirement benefits scheme contributions	**84**	74
– share-based compensation	**3,257**	3,062
	5,673	5,334

11. Directors', Chief Executive's and Employees' Emoluments (Continued)

The executive directors' emoluments shown above were for their service in connection with the management of the affairs of the Company and the Group.

	2017 RMB'000	2016 RMB'000
Non-executive directors:		
Dr. Li		
– director's fee	—	—
– salaries and other benefits	—	—
– performance-based bonus	—	—
– retirement benefits scheme contributions	—	—
– share-based compensation	—	—
	—	—
Mr. Edward Hu		
– director's fee	—	—
– salaries and other benefits	—	—
– performance-based bonus	—	—
– retirement benefits scheme contributions	—	—
– share-based compensation	—	—
	—	—

11. Directors', Chief Executive's and Employees' Emoluments (Continued)

	2017 RMB'000	2016 RMB'000
Mr. Yibing Wu (Note iii)		
– director's fee	—	—
– salaries and other benefits	—	—
– performance-based bonus	—	—
– retirement benefits scheme contributions	—	—
– share-based compensation	—	—
	—	—
Mr. Yanling Cao (Note iii)		
– director's fee	—	—
– salaries and other benefits	—	—
– performance-based bonus	—	—
– retirement benefits scheme contributions	—	—
– share-based compensation	—	—
	—	—
Independent non-executive directors:		
Mr. William Robert Keller (Note iv)		
– director's fee	**379**	—
– salaries and other benefits	—	—
– performance-based bonus	—	—
– retirement benefits scheme contributions	—	—
– share-based compensation	—	—
	379	—

11. Directors', Chief Executive's and Employees' Emoluments (Continued)

	Year ended December 31, 2017 RMB'000	Year ended December 31, 2016 RMB'000
Mr. Teh-Ming Walter Kwauk (Note iv)		
– director's fee	**379**	—
– salaries and other benefits	**—**	—
– performance-based bonus	**—**	—
– retirement benefits scheme contributions	**—**	—
– share-based compensation	**—**	—
	379	—
Mr. Wo Felix Fong (Note iv)		
– director's fee	**379**	—
– salaries and other benefits	**—**	—
– performance-based bonus	**—**	—
– retirement benefits scheme contributions	**—**	—
– share-based compensation	**—**	—
	379	—

Notes:

(i) Dr. Zhisheng Chen is the Chief Executive of the Group and his emoluments disclosed above included those for services rendered by him as the Chief Executive.

(ii) Dr. Weichang Zhou was appointed as a director of the Company in May 2016. His 2016 emoluments disclosed above included those for his service as managerial level employees of group entities prior to becoming the director of the Company.

(iii) Mr. Yibing Wu and Mr. Yanling Cao were appointed as non-executive directors of the Company in May 2016.

(iv) Mr. William Robert Keller, Mr. Teh-Ming Walter Kwauk and Mr. Wo Felix Fong were appointed as independent non-executive directors of the Company in May 2017.

(v) The performance-based bonus is discretionary based on the Group's financial results and the directors' performance as decided by the management of the Group.

11. Directors', Chief Executive's and Employees' Emoluments (Continued)

Five highest paid individuals' emoluments

The five individuals with the highest emoluments in the Group include two (2016: two) directors disclosed above. The emoluments of the five highest paid individuals for the years ended December 31, 2017 were as follows:

	2017 RMB'000	2016 RMB'000
Salaries and other benefits	**7,826**	7,569
Performance-based bonus	**3,689**	2,857
Retirement benefits scheme contributions	**203**	234
Share-based compensation	**28,117**	26,500
	39,835	37,160

The emoluments of the five highest paid individuals were within the following bands:

	Number of individuals 2017	Number of individuals 2016
HK$2,500,001 to HK$ 3,000,000	**1**	—
HK$3,000,001 to HK$ 3,500,000	**—**	2
HK$4,000,001 to HK$ 4,500,000	**1**	—
HK$4,500,001 to HK$ 5,000,000	**—**	1
HK$5,000,001 to HK$ 5,500,000	**1**	—
HK$6,000,001 to HK$ 6,500,000	**—**	1
HK$6,500,001 to HK$ 7,000,000	**1**	—
HK$25,500,001 to HK$26,000,000	**—**	1
HK$27,000,001 to HK$27,500,000	**1**	—
	5	5

During the year ended December 31, 2017, no emoluments (2016: Nil) were paid by the Group to the directors of the Company or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors of the Company have waived any emoluments during the year ended December 31, 2017 (2016: Nil).

12. Earnings per Share

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

	2017 RMB'000	2016 RMB'000
Earnings:		
Earnings for the purpose of calculating basic and diluted earnings per share	**252,628**	141,096

	2017	2016
Number of Shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,074,088,204**	963,998,559
Effect of dilutive potential ordinary shares:		
Share Options	**86,267,013**	—
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**1,160,355,217**	**963,998,559**

The computation of diluted earnings per share for the year ended December 31, 2016 does not assume the exercise of pre-IPO share options since their exercise prices plus fair value of services yet to be rendered are higher than the average share prices of the Company.

13. Plant and Equipment

	Machinery RMB'000	Furniture fixtures and equipment RMB'000	Transportation equipment RMB'000	Leasehold improvement RMB'000	Construction in progress (or "CIP") RMB'000	Total RMB'000
COST						
At January 1, 2016	408,542	28,656	747	179,231	271,334	888,510
Additions	75,869	11,092	—	43,976	371,369	502,306
Deemed disposal	—	—	—	—	(6,261)	(6,261)
Adjustment in relation to leased assets	(2,682)	(82)	—	(1,232)	—	(3,996)
Transfer from CIP	85,783	5,632	—	165,371	(256,786)	—
Disposals	(567)	(55)	—	—	—	(622)
At December 31, 2016	566,945	45,243	747	387,346	379,656	1,379,937
Additions	**21,912**	**14,019**	**—**	**38,490**	**672,769**	**747,190**
Adjustment in relation to leased assets (Note)	**3,976**	**(1,245)**	**—**	**1,280**	**—**	**4,011**
Transfer from CIP	**446,561**	**10,308**	**—**	**129,555**	**(586,424)**	**—**
Disposals	**(1,536)**	**(188)**	**—**	**—**	**—**	**(1,724)**
At December 31, 2017	**1,037,858**	**68,137**	**747**	**556,671**	**466,001**	**2,129,414**
DEPRECIATION AND IMPAIRMENT						
At January 1, 2016	(95,531)	(6,532)	(164)	(32,287)	—	(134,514)
Provided for the year	(57,938)	(6,625)	(134)	(28,488)	—	(93,185)
Eliminated on disposals	491	41	—	—	—	532
At December 31, 2016	(152,978)	(13,116)	(298)	(60,775)	—	(227,167)
Provided for the year	**(81,518)**	**(7,645)**	**(112)**	**(33,473)**	**—**	**(122,748)**
Eliminated on disposals	**553**	**120**	**—**	**—**	**—**	**673**
At December 31, 2017	**(233,943)**	**(20,641)**	**(410)**	**(94,248)**	**—**	**(349,242)**
CARRYING VALUES						
At December 31, 2016	413,967	32,127	449	326,571	379,656	1,152,770
At December 31, 2017	**803,915**	**47,496**	**337**	**462,423**	**466,001**	**1,780,172**

13. Plant and Equipment (Continued)

Note:

The Group leases from WXAT Shanghai certain of its machinery, equipment and leasehold improvement on January 1, 2016 under a finance lease (also refer to Note 24 and Note 33(1) (k)). On December 26, 2017, the Group terminated the finance lease agreement and entered into a purchase agreement with WXAT Shanghai to purchase the above-mentioned machinery, equipment and leasehold improvement and a difference between the net book value of these assets and cash consideration paid was recorded.

The above items of plant and equipment except for construction in progress are depreciated on a straight-line basis after taking into account of the residual value as follows:

Machinery	9%-18% per annum
Furniture, fixtures and equipment	9%-18% per annum
Transportation equipment	18% per annum
Leasehold improvement	Over the shorter of the lease term or ten years

The net book value of plant and equipment of RMB1,780,172,000 as at December 31, 2017 includes a carrying amount of Nil (2016: RMB40,827,000) in respect of assets held under a finance lease with a related party.

14. Deferred Taxation

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is a summary of the deferred tax balances for financial reporting purposes:

	2017	2016
	RMB'000	RMB'000
Deferred tax assets	**6,855**	2,370
Deferred tax liabilities	**(6,817)**	(5,490)
	38	(3,120)

14. Deferred Taxation (Continued)

The following are the major deferred tax assets and liabilities recognized and movements thereon before offsetting during the year ended December 31, 2017:

	Allowance on inventories and doubtful debts RMB'000	Deferred revenue RMB'000	Unrealized profits in inventories RMB'000	Accrued expenses RMB'000	Accelerated tax depreciation RMB'000	Total RMB'000
At January 1, 2016	131	1,040	437	—	—	1,608
Credited (charged) to profit or loss	854	416	(437)	—	(5,561)	(4,728)
At December 31, 2016	985	1,456	—	—	(5,561)	(3,120)
Credited (charged) to profit or loss	1,755	1,011	—	3,548	(3,156)	3,158
At December 31, 2017	**2,740**	**2,467**	**—**	**3,548**	**(8,717)**	**38**

As at December 31, 2017, the Group had unused tax losses of RMB8,719,000 (2016: RMB17,955,000), available to offset against future profits. No deferred tax asset has been recognized in respect of such losses in both 2017 and 2016 due to the unpredictability of future profit streams.

Apart from unused tax losses as mentioned above, at December 31, 2017, the Group had other deductible temporary differences of RMB61,253,000 (2016: RMB19,023,000), available to offset against future profits. As at December 31, 2017, deductible temporary differences of RMB58,366,000 (2016: RMB16,273,000) had been recognized in deferred tax assets, while RMB2,887,000 (2016: RMB2,750,000) had not been recognized due to the unpredictability of future profit streams.

14. Deferred Taxation (Continued)

Balances of deductible temporary differences and unused tax losses for which no deferred tax assets have been recognized due to the unpredictability of future profits stream are as follows:

	2017 RMB'000	2016 RMB'000
Deferred revenue	**2,887**	2,750
Tax losses	**8,719**	17,955
	11,606	20,705

The Group had unrecognized tax losses of RMB 8,719,000 (2016: RMB17,955,000) as at December 31, 2017. These tax losses will be carried forward and expire in years as follows:

	2017 RMB'000	2016 RMB'000
2020	**7,239**	17,507
2021	**25**	25
2022	**1,455**	—
2036	**—**	423
	8,719	17,955

Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to RMB 449,380,000 as at December 31, 2017 as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not be reversed in the foreseeable future.

15. Other Long-term Deposits

Other long-term deposits represent rental deposits paid under operating leases and deposits paid to guarantee the key dates of the construction completion and going into operation, both of which are receivable after one year.

16. Inventories

	2017 RMB'000	2016 RMB'000
Raw material and consumables	**135,547**	78,988

The inventories are net of a write-down of approximately RMB2,665,000 as at December 31, 2017 (2016: Nil).

17. Service Work in Progress

	2017 RMB'000	2016 RMB'000
Service work in progress	**202,389**	122,702

18. Trade and Other Receivables

	2017 RMB'000	2016 RMB'000
Trade receivables		
– related parties	**6,425**	7,488
– third parties	**300,796**	216,027
Unbilled revenue		
– related parties	**1,645**	4,130
– third parties	**22,802**	72,819
Allowance for doubtful debts	**(17,364)**	(6,598)
	314,304	293,866
Other receivables		
– related parties	**—**	2,812
– third parties	**15,012**	6,252
	15,012	9,064
Advances to suppliers	**12,256**	4,532
Deferred listing expenses	**—**	4,705
Prepayments	**927**	972
Receivables for purchase of raw materials on behalf of customers	**108,295**	39,084
Custom duty recoverable (Note)	**30,285**	36,209
Interest receivable	**5,597**	—
Value added tax recoverable	**127,626**	30,944
	284,986	116,446
Total trade and other receivables	**614,302**	419,376

Details of the trade and other receivables due from related parties are set out in Note 33(2).

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

18. Trade and Other Receivables (Continued)

The Group allows a credit period ranging from 30 to 60 days to its customers. The following is an age analysis of trade receivables (net of allowance for doubtful debts) presented based on the invoice dates (excluding the unbilled revenue), at the end of December 31, 2017:

	2017 RMB'000	2016 RMB'000
Within 60 days	**217,573**	185,992
61 to 180 days	**68,570**	25,318
181 days to 1 year	**3,714**	5,607
	289,857	216,917

In determining the recoverability of the trade receivables, the Group considers any change in the credit quality of the trade receivables from the date on which the credit was initially granted up to the reporting date. The credit quality of the trade receivables that are neither past due nor impaired had not changed during the year ended December 31, 2017.

Aging of trade receivables which are past due but not impaired

	2017 RMB'000	2016 RMB'000
61 to 180 days	**68,570**	25,318
181 days to 1 year	**3,714**	5,607
	72,284	30,925

18. Trade and Other Receivables (Continued)

Movement of allowance for doubtful debts on trade receivables and unbilled revenue

	2017 RMB'000	2016 RMB'000
Opening balance	**(6,598)**	(2,456)
Provided	**(13,751)**	(6,890)
Reversed	**4**	1,194
Written off	**2,981**	1,554
Closing balance	**(17,364)**	(6,598)

Included in the allowance for doubtful debts are individually impaired trade and unbilled receivables.

The Group determines the allowance for impaired debts based on the evaluation of collectability and aging analysis of the receivables and on the management's judgement including the assessment of change in credit quality and the past collection history of each customer.

Trade and other receivables that are denominated in currencies other than the functional currency of the respective group entities are set out below:

	2017 RMB'000	2016 RMB'000
US dollars ("US$")	**179,964**	207,245
Euro ("EUR")	**3,302**	—
Japanese yen ("JPY")	**1,605**	—

19. Financial Assets Designated as at FVTPL

During the current year, the Group entered into several contracts of funds (the "Fund") with a financial institution. The Fund invests primarily in debt securities including but not limited to the US treasury securities, securities issued or guaranteed by the US government or by its agencies, corporate securities and asset-backed securities, with the focus on preservation of principal and liquidity. The entire contracts have been designated as at financial assets at FVTPL on initial recognition. As at December 31, 2017, the fair value of the Fund is US$87,750,000 per the investment statement of the financial institution, equivalent to RMB573,378,000.

During the current year, the Group also entered into a contract of financial product (the "Financial Product") with a bank for a period of six months, which has been designated as at financial assets at FVTPL on initial recognition. The return of the Financial Product was 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. The principle of the Financial Product is US$10,400,000, equivalent to RMB 67,955,000 as at December 31, 2017; and the expected return rate stated in the contract is 2.45% per annum. In the opinion of the directors of the Company, the fair value of the Financial Product as at December 31, 2017 approximated its principal amounts as the fair value change is insignificant.

Financial assets designated as at FVTPL that are denominated in currencies other than the functional currency of the respective group entities are set out below:

	2017 **RMB'000**	2016 RMB'000
US$	**641,333**	—

20. Bank Balances and Cash/Pledged Bank Deposits/Time Deposits

Bank balances and cash of the Group comprised of cash and short term bank deposits with an original maturity of three months or less. The short term bank deposits carry interests at market rates which ranged from 0.001% to 1.650% per annum as at December 31, 2017 (2016: 0.010% to 2.900%).

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

As at December 31, 2017, the Group had fixed-term deposits in a bank with original maturity date of six months ("Time Deposits"). The Time Deposits carry fixed interests rate of from 1.93% to 2.53% per annum.

Bank balances and cash, pledged bank deposits and time deposits that are denominated in currencies other than the functional currency of the respective group entities are set out below:

	2017 **RMB'000**	2016 RMB'000
US$	**1,386,109**	134,165
Hong Kong dollars ("HK$")	**4,603**	—

21. Trade and Other Payables

	2017 RMB'000	2016 RMB'000
Trade payables		
– related parties	—	30,576
– third parties	**137,293**	74,453
	137,293	105,029
Other payables and accrual		
– related parties	**13,919**	2,684
– third parties	**50,927**	18,515
	64,846	21,199
Advances from customers		
– related parties	**11,064**	5,652
– third parties	**243,682**	126,780
	254,746	132,432
Payable to related parties in relation to Group Reorganization (Note i)	—	84,317
Option fee received (Note ii)	**26,136**	27,780
Payable for purchase of plant and equipment	**213,022**	103,342
Payable in relation to listing of Company shares	—	25,782
Salary and bonus payables	**85,240**	56,343
Other taxes payable	**3,386**	1,864
	784,669	558,088

21. Trade and Other Payables (Continued)

Notes:

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

(ii) Amount represents a US$4 million non-refundable option fee received from an independent third party for granting the party an option to purchase certain of the Group's assets. In December 2015, an agreement (hereafter referred to as the "Option to Purchase Agreement") was entered into between the Company and a Company's strategic customer, pursuant to which the Company granted the customer an option to acquire certain of its biologics manufacturing facilities. The total consideration for the option was US$8 million, 50% of which had been paid in March 2016 and the remaining 50% would be payable upon the Company completing certain required documentations. Pursuant to the Option to Purchase Agreement, the customer has a right to exercise the purchase option on or before June 30, 2020, which upon mutual agreement between the Company and the customer, may be extended until no later than June 30, 2023. Should the customer choose to exercise the purchase option, it has to pay the Company an acquisition price for the biologics manufacturing facilities determined on the basis as specified in the Option to Purchase Agreement; and the Company has to fulfill certain stipulated conditions including completing the transfer of the title to 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.

Details of the trade and other payables due to related parties are set out in Note 33(2).

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

	2017	2016
	RMB'000	RMB'000
Within three months	**129,184**	102,123
Over three months but within one year	**6,660**	2,906
Over one year but within two years	**1,449**	—
	137,293	105,029

21. Trade and Other Payables (Continued)

Trade and other payables that are denominated in currencies other than the functional currency of the respective group entities are set out below:

	2017 RMB'000	2016 RMB'000
US$	**294,453**	264,220
EUR	**17,191**	2,198
Swiss Francs ("CHF")	**6,362**	—

22. Loan from a Related Party

	2017 RMB'000	2016 RMB'000
Loan form WuXi PharmaTech	**—**	183,417

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

Loan from a related party that are denominated in currencies other than the functional currency of the respective group entities are set out below:

	2017 RMB'000	2016 RMB'000
US$	**—**	183,417

23. Bank Borrowings

	2017 RMB'000	2016 RMB'000
Unsecured bank loans	—	905,000

Carrying amount repayable*:

	2017 RMB'000	2016 RMB'000
Within one year	—	39,000
Within a period of more than one year but not exceed two years	—	141,000
Within a period of more than two years but not exceed five years	—	725,000
	—	905,000
Less: Amounts due within one year shown under current liabilities	—	39,000
	—	866,000

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

The bank borrowings as at December 31, 2016 carried interest rate at 4.75% per annum.

All bank borrowings were fully repaid by the Group during the year ended December 31, 2017.

24. Obligations under a Finance Lease

	2017 RMB'000	2016 RMB'000
Analyzed for reporting purposes as:		
Current liabilities	—	11,371
Non-current liabilities	—	29,655

The Group leases from WXAT Shanghai certain of its machinery, equipment and leasehold improvement on January 1, 2016 under a finance lease with lease term of four years, which is renewable indefinitely at the discretion of the Group. Interest imputed in the finance lease at the lease inception date is at the rate of 1.44% per annum. On December 26, 2017, the Group terminated the finance lease agreement and entered into a purchase agreement with WXAT Shanghai to purchase the above-mentioned machinery, equipment and leasehold improvement. Details are set out in note 33(1) (k).

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000
Obligations under a finance lease payable:				
Within one year	—	11,883	—	11,371
Within a period of more than one year but no more than two years	—	9,538	—	9,172
Within a period of more than two years but no more than five years	—	17,372	—	16,945
Within a period of more than five years	—	3,600	—	3,538
	—	42,393	—	41,026
Less: future finance charges	—	1,367		
Present value of lease obligations	—	41,026		
Less: Amounts due for settlement within twelve months (shown under current liabilities)			—	11,371
Amounts due for settlement after twelve months (shown under non-current liabilities)			—	29,655

25. Deferred Revenue

	2017 RMB'000	2016 RMB'000
Assets related government grants	**19,711**	12,559

Movements of assets related government grants:

	RMB'000
At January 1, 2016	8,787
Government grants received	5,250
Credited to profit or loss (Note 6)	(1,478)
At December 31, 2016	12,559
Government grants received	**8,450**
Credited to profit or loss (Note 6)	**(1,298)**
At December 31, 2017	**19,711**

During the year ended December 31, 2017, the Group received government grants of RMB8,450,000 (2016: RMB5,250,000) for its investment in laboratory equipment. The grants were recognized in profit or loss over the useful lives of the relevant assets.

26. Share Capital

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

26. Share Capital (Continued)

ISSUED AND FULLY PAID:

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

Notes:

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

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

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

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

27. Capital Management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concern while maximizing the return to shareholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure on a continuous basis taking into account the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debts.

28. Financial Instruments

a. Categories of financial instruments

	2017 RMB'000	2016 RMB'000
Financial assets		
Loans and receivables (including bank balances and cash)	**1,913,351**	580,587
Financial assets designated as at FVTPL	**641,333**	—
Financial liabilities		
Amortized cost	**403,050**	1,414,497
Obligations under a finance lease	**—**	41,026

b. Financial risk management objectives and policies

The Group's major financial assets and liabilities include trade and other receivables, financial assets designated as at FVTPL, pledged bank deposits, time deposits, bank balances and cash, trade and other payables, loan from a related party, bank borrowings and obligations under a financial lease. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

The Group's activities expose it primarily to currency risk, interest rate risk and other price risk. There had been no change in the Group's exposure to these risks or the manner in which it managed and measured the risks during the year ended December 31, 2017.

28. Financial Instruments (Continued)

b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

(i) Currency risk

Certain group entities have foreign currency sales and purchases, which expose the Group to foreign currency risk. Certain of the Group's bank balances and cash, time deposits, pledged bank deposits, trade and other receivables and trade and other payables are denominated in currencies other than the functional currency of the relevant group entities and expose to such foreign currency risk. The carrying amounts of relevant group entities' foreign currency denominated monetary assets and liabilities other than their functional currency are disclosed in the respective notes.

The Group mainly exposes to foreign currency of US$, EUR, JPY, HK$ and CHF. The Group did not use any derivative contracts to hedge against its exposure to currency risk during the reporting period.

The carrying amounts of the Group's foreign currency denominated monetary assets (trade and other receivables, pledged bank deposits, time deposit and bank balances and cash) and liabilities (trade and other payables) at the end of the reporting period are as follows:

	2017 RMB'000	2016 RMB'000
Assets		
US$	**1,566,073**	341,410
EUR	**3,302**	—
JPY	**1,605**	—
HK$	**4,603**	—
Liabilities		
US$	**294,453**	447,637
EUR	**17,191**	2,198
CHF	**6,362**	—

28. Financial Instruments (Continued)

b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against US$, the foreign currency with which the Group may have a material exposure. No sensitivity analysis has been disclosed for the EUR, JPY, HK$ and CHF denominated assets/liabilities as the impact on profit is immaterial. 5% represents management's assessment of the reasonably possible change in foreign exchange rate. The sensitivity analysis uses outstanding foreign currency denominated monetary items as a base and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rate. A positive number below indicates an increase in profit where RMB strengthens 5% against US$. For a 5% weakening of RMB against US$, there would be an equal and opposite impact on profit.

	2017 RMB'000	2016 RMB'000
Impact on profit or loss		
US$	**(52,891)**	4,262

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate pledged bank deposits and time deposits (see Note 20 for details). The Group currently does not have an interest rate hedging policy to mitigate interest rate risk; nevertheless, the management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances (see Note 20 for details). The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances. The directors of the Company consider that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant, therefore no sensitivity analysis on such risk has been prepared.

The Group fully repaid the bank borrowings during the year ended December 31, 2017 and is not exposed to cash flow interest rate risk in relation to bank borrowings as at December 31, 2017.

28. Financial Instruments (Continued)

b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

(iii) Other price risk

The Group is exposed to other price risk through its investments in Fund and Financial Product classified as financial assets designated as at FVTPL. The management manages this exposure by maintaining a portfolio of investments with different risks. In addition, the Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise. The directors of the Company consider that the exposure of other price risk arising from financial assets designated as at FVTPL is insignificant, therefore no sensitivity analysis on such risk has been prepared.

Credit risk

As at December 31, 2017, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is the carrying amount of the respective recognized financial assets as stated in the consolidated statement of financial position.

In order to minimize the credit risk, the management has designated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up actions are taken to recover overdue debts. In addition, the directors of the Company review the recoverability of each significant trade debt (both billed and unbilled) at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Trade receivables (both billed and unbilled) are due from corporate customers with good financial strength. The Group did not experience significant defaults by the debtors.

The Group has concentration of credit risk with respect to trade receivables as 25% of the total trade receivables was due from the Group's top five customers as of December 31, 2017 (2016: 46%).

The Group has concentration of credit risk on liquid funds which are deposited with several banks. However, the credit risk on financial assets designated as at FVTPL, bank balances, time deposits and pledged bank deposits is limited because majority of the counterparties are state-owned banks with good reputation or banks and financial institutions with good credit rating.

28. Financial Instruments (Continued)

b. Financial risk management objectives and policies (Continued)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of bank balances and cash and unused banking facilities deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average Interest rate	One demand or less than one year RMB'000	One to five years RMB'000	Over five years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
As at December 31, 2017						
Trade and other payables	N/A	403,050	—	—	403,050	403,050
As at December 31, 2016						
Trade and other payables	N/A	326,080	—	—	326,080	326,080
Loan from a related party	N/A	183,417	—	—	183,417	183,417
Bank borrowings						
– Variable interest rate	4.75%	39,660	986,313	—	1,025,973	905,000
Obligations under a finance lease	1.44%	11,883	26,910	3,600	42,393	41,026
Total		561,040	1,013,223	3,600	1,577,863	1,455,523

28. Financial Instruments (Continued)

c. Fair value measurements of financial instruments

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

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

Financial assets	Fair value as at December 31, 2017	Fair value as at December 31, 2016	Fair value hierarchy	Valuation technique and key inputs
Financial assets designated as at FVTPL	**Fund: RMB573,378,000**	—	Level 3	Discounted cash flows Key unobservable inputs: (1) expected yields of debt instruments invested by the financial institution (2) a discount rate that reflects the credit risk of the financial institution (Note)
Financial assets designated as at FVTPL	**Financial Product: RMB67,955,000**	—	Level 3	Discounted cash flows Key unobservable inputs: (1) expected yields of underlying instruments invested by the bank (2) a discount rate that reflects the credit risk of the bank (Note)

Note: The directors of the Company consider that the impact of the fluctuation in expected yields of the underlying instruments to the fair value of the financial assets designated as at FVTPL was insignificant, and therefore no sensitivity analysis is presented.

There were no transfers into or out of Level 3 in the period.

No gains or losses are recognized in profit or loss relating to the change in fair value of Financial Product classified as Level 3 in the current year as the amount involved is insignificant, and therefore no reconciliation of Level 3 fair value measurements is presented.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the consolidated financial statements approximated their fair values.

29. Operating Leases

The Group as Lease

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

	2017 RMB'000	2016 RMB'000
Within one year	**21,876**	22,121
In the second to fifth years inclusive	**75,254**	84,040
Over five years	**65,468**	86,533
	162,598	192,694

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

30. Capital Commitments

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

	2017 RMB'000	2016 RMB'000
Contracted but not provided for	**285,697**	501,178

31. Retirement Benefit Plans

The employees of the Group's subsidiaries in the PRC are members of the state-managed retirement benefits schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of payroll costs to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes is to make the specified contributions.

The total cost charged to profit or loss in respect of the above-mentioned schemes amounted to approximately RMB51,529,000 for the year ended December 31, 2017 (the year ended December 31, 2016: RMB33,006,000).

32. Reconciliation of Liabilities Arising from Financing Activities

The table below details changes in the Group's liabilities arising from financing activities, including both the cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Loan from a related party (Note 22) RMB'000	Payable to related parties in relation to Group Reorganization (Note 21) RMB'000	Bank borrowings (Note 23) RMB'000	Payable in relation to listing of Company shares (Note 21) RMB'000	Obligations under a finance lease (Note 24) RMB'000	Total RMB'000
At January 1, 2017	183,417	84,317	905,000	—	41,026	1,213,760
Financing cash flows (Note)	(183,889)	(83,325)	(928,323)	(136,750)	(11,345)	(1,343,632)
Terminate of finance lease	—	—	—	—	(30,157)	(30,157)
Interest expense	—	—	36,292	—	476	36,768
Transaction costs attribute to issue of new shares (included in share premium)	—	—	—	136,750	—	136,750
Foreign exchange translation	472	(992)	(12,969)	—	—	(13,489)
At December 31, 2017	—	—	—		—	—

Note:

The financing cash flows of bank borrowings represent the proceeds from and repayment of bank borrowings and interest paid in the consolidated statement of cash flows. The financing cash flows of obligations under a finance lease represent the repayment of obligations under a finance lease to a related party and the finance lease charges paid.

33. Related Party Transactions and Balances

In addition to the transactions and balances disclosed in Notes 18, 21, 22 and 24, the Group had the following significant transactions and balances with related parties during the year ended December 31, 2017:

(1) Related party transactions:

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

	2017 RMB'000	2016 RMB'000
WuXi MedImmune Biopharmaceutical Co., Ltd. ("WX MedImmune")	**10,928**	16,624
Adagene (Suzhou) Limited ("Adagene")	**26,656**	6,456
Huahui Anjian (Beijing) Biologics Technology Co., Ltd. ("Huahui Anjian")	**16,692**	5,410
JW Therapeutics (Shanghai) Co., Ltd.	**292**	—
	54,568	28,490

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

Adagene and Huahui Anjian are associates of WXAT Shanghai.

JW Therapeutics (Shanghai) Co., Ltd. is a joint venture held by WAHK.

(b) Provision of administrative service to a related party

	2017 RMB'000	2016 RMB'000
WXAT Shanghai	**—**	81

33. Related Party Transactions and Balances (Continued)

(1) Related party transactions: (Continued)

(c) Provision of premises sub-leasing services

	2017 RMB'000	2016 RMB'000
Abgent Biotechnology (Suzhou) Co., Ltd	**431**	454
WuXi AppTec (Suzhou) Co., Ltd. ("AppTec Suzhou")	**399**	420
	830	874

(d) Testing service received

	2017 RMB'000	2016 RMB'000
WuXi AppTec, Inc.	**16,124**	14,021
AppTec Suzhou	**8**	165
	16,132	14,186

(e) Purchase of materials, plant and equipment

	2017 RMB'000	2016 RMB'000
WuXi AppTec Sales LLC ("AppTec Sales")	**732**	—
WXAT Shanghai	**71,156**	56,388
	71,888	56,388

33. Related Party Transactions and Balances (Continued)

(1) Related party transactions: (Continued)

(f) Interest expense

	2017 RMB'000	2016 RMB'000
WXAT Shanghai	—	3,153

(g) General service received

	2017 RMB'000	2016 RMB'000
WXAT Shanghai	—	21,404

(h) Labor secondment service received

	2017 RMB'000	2016 RMB'000
WXAT Shanghai	711	8,147
AppTec Sales	—	5,599
WuXi AppTec UK Ltd. ("WuXi AppTec UK")	611	576
	1,322	14,322

33. Related Party Transactions and Balances (Continued)

(1) Related party transactions: (Continued)

(i) Research and development service received

	2017 RMB'000	2016 RMB'000
WXAT Shanghai	—	2,014

(j) Premises leasing services received

	2017 RMB'000	2016 RMB'000
WXAT Shanghai	**1,431**	1,588

(k) Finance lease from a related party

On January 1, 2016, the Group entered into a finance lease arrangement with WXAT Shanghai in respect of machinery, equipment and leasehold improvement with a total capital value at the inception of the leases of RMB53,781,000. The finance lease charges under the arrangements is RMB476,000 for the year ended December 31, 2017. On December 26, 2017, the Group terminated the finance lease agreement and entered into a purchase agreement with WXAT Shanghai to purchase the above-mentioned machinery, equipment and leasehold improvement with net book value of RMB30,157,000 as of December 26, 2017 at cash consideration of RMB 34,168,000 (exclusive of relevant tax) and it forms part of the related party transaction disclosure in Note 33(1) (e).

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

33. Related Party Transctions and Balances (Continued)

(2) Related party balances:

As at December 31, 2017, the Group had balances with related parties as follows:

	2017 RMB'000 Non-interest bearing	2016 RMB'000 Non-interest bearing
Amounts due from related parties		
Trade related		
WX MedImmune	**1,328**	195
Adagene	**2,099**	3,492
Huahui Anjian	**4,509**	4,130
WAHK	**—**	3,211
JW Therapeutics (Shanghai) Co., Ltd.	**134**	—
WuXi PharmaTech	**—**	590
	8,070	11,618
Non-trade related		
WX MedImmune	**—**	2,812
	—	2,812
Amounts due to related parties		
Trade related		
WXAT Shanghai	**—**	24,752
WuXi AppTec, Inc.	**—**	5,824
WX MedImmune	**—**	2,669
Adagene	**3,049**	555
Huahui Anjian	**8,015**	2,400
JW Therapeutics (Shanghai) Co., Ltd.	**—**	28
	11,064	36,228

33. Related Party Transctions and Balances (Continued)

(2) Related party balances: (Continued)

	2017 RMB'000 Non-interest bearing	2016 RMB'000 Non-interest bearing
Non-trade related		
WXAT Shanghai	**—**	2,113
WXAT BVI	**—**	21
WuXi AppTec, Inc.	**—**	16
AppTec Sales	**—**	81
WuXi AppTec UK	**—**	453
Huahui Anjian	**13,919**	—
	13,919	2,684

Maximum outstanding balance during the year ended December 31, 2017 of non-trade related amounts due from related parties are as follows:

	2017 RMB'000 Maximum outstanding balance during the year	2016 RMB'000 Maximum outstanding balance during the year
Amounts due from related parties		
Non-trade related		
WX MedImmune	**2,812**	2,812

33. Related Party Transctions and Balances (Continued)

(2) Related party balances: (Continued)

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

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

(3) Compensation of key management personnel

The remuneration of the directors of the Company and other members of key management of the Group during the years ended December 31, 2017 were as follows:

	2017	2016
	RMB'000	RMB'000
Director's fee	**1,137**	—
Salaries and other benefits	**8,964**	7,992
Performance-based bonus	**4,010**	2,857
Retirement benefits scheme contributions	**267**	255
Share-based compensation	**28,117**	26,499
	42,495	37,603

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

34. Share-Based Compensation

Equity instruments granted by WuXi PharmaTech to employees of the Group

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

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

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

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

For the years ended December 31, 2017, the Group recognized RMB6,183,000 (December 31, 2016: RMB9,341,000) share-based compensation expense in relation to WuXi PharmaTech Stock Units and Options.

34. Share-based Compensation (Continued)

Pre-IPO Share Option Scheme

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

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

Tranche	Vesting Date
20% of the shares subject to an option so granted	2nd anniversary of the offer date for an Option
20% of the shares subject to an option so granted	3rd anniversary of the offer date for an Option
20% of the shares subject to an option so granted	4th anniversary of the offer date for an Option
40% of the shares subject to an option so granted	5th anniversary of the offer date for an Option

34. Share-based Compensation (Continued)

Pre-IPO Share Option Scheme (Continued)

Set out below are details of the movements of the outstanding options granted under the Pre-IPO Share Option Scheme during the years ended December 31, 2017 and 2016:

Option batch	Outstanding as at January 1, 2017	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding as at December 31, 2017
January 7, 2016	83,509,994	—	—	2,228,112	81,281,882
March 28, 2016	2,412,750	—	—	998,000	1,414,750
August 10, 2016	5,709,313	—	—	139,000	5,570,313
November 11, 2016	6,045,000	—	—	470,000	5,575,000
March 15, 2017	—	20,970,000	—	922,000	20,048,000
May 12, 2017	—	3,804,000	—	46,000	3,758,000
	97,677,057	24,774,000	—	4,803,112	117,647,945
Exercisable at the end of the year	—				—
Weighted average exercise price (US$)	0.53	1.14	—	0.65	0.65

Option batch	Outstanding as at January 1, 2016	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding as at December 31, 2016
January 7, 2016	—	89,364,668	—	5,854,674	83,509,994
March 28, 2016	—	2,412,750	—	—	2,412,750
August 10, 2016	—	5,729,313	—	20,000	5,709,313
November 11, 2016	—	6,321,000	—	276,000	6,045,000
	—	103,827,731	—	6,150,674	97,677,057
Exercisable at the end of the year	—				—
Weighted average exercise price (US$)	N/A	0.53	N/A	0.51	0.53

34. Share-based Compensation (Continued)

Pre-IPO Share Option Scheme (Continued)

The estimated fair value of the Pre-IPO share options granted were approximately USD20,489,000, USD555,000, USD1,773,000, USD2,227,000, USD9,430,000 and USD2,974,000 for the January 7, 2016, March 28, 2016, August 10, 2016, November 11, 2016, March 15, 2017 and May 12, 2017 grants, respectively. The fair value was calculated using the Binomial model. The major inputs into the model are as follows:

Grant date	January 7, 2016	March 28, 2016	August 10, 2016	November 11, 2016	**March 15, 2017**	**May 12, 2017**
Share price (US$)	0.48	0.48	0.65	0.75	**0.95**	**1.65**
Exercise price (US$)	0.50	0.50	0.66	0.79	**1.02**	**1.80**
Expected volatility	40.80%	40.80%	40.92%	40.87%	**40.65%**	**40.46%**
Expected life (years)	10	10	10	10	**10**	**10**
Risk-free interest rate	2.92%	2.92%	2.72%	2.83%	**3.39%**	**3.67%**
Forfeiture rate	7.70%	7.70%	7.70%	7.70%	**7.70%**	**7.70%**

Share price is determined as the total fair value of the Company's equity divided by the total number of shares, assuming the allotment of shares as disclosed in Note 26 has been effective on January 1, 2016. To determine the grant date fair values of the Company's equity prior to the Company's Initial Public Offering on May 31, 2017, the Company used primarily the discounted cash flow method under the income approach, using cash flow projections based on financial forecasts approved by management covering a five-year period as appropriate and a discount rate of 13%. Cash flow beyond that five-year period has been extrapolated using a steady 5% growth rate. This growth rate does not exceed the long-term average growth rate for the market in which the Group operates. The result from the income approach was cross checked with the market approach, which incorporates certain assumptions, including the market performance of comparable listed companies, as well as the financial results and growth trends of the Company, to derive the total equity of the Group.

The risk-free interest rate was based on market yield rate of China government bonds with the term corresponding to the contractual life of the options. Expected volatility was determined by using the historical volatility of the comparable companies. Changes in variables and assumptions may result in changes in the fair values of the share options.

The Group recognized total expense of approximately RMB58,893,000 for the year ended December 31, 2017 (year ended December 31, 2016: RMB38,308,000) in relation to share options granted by the Company under the Pre-IPO Share Option Scheme.

The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

35. Details of Subsidiaries

The direct and indirect interests in the following subsidiaries held by the Company during the years ended December 31, 2017 and 2016 are as follows:

Name of subsidiaries	Place of incorporation/ operation, date of incorporation	Authorized share capital/ Registered capital	Paid up capital	Attributable equity interests held by the Company as at		Principal activities
				2017 %	2016 %	
Directly held:						
WuXi Biologics Investment Limited (formally known as "Global Bond Investments Ltd." **("Biologics Investment")**	Hong Kong November 18, 2010	Not applicable	HK$ 10,000	**100**	100	Investment holding
Indirectly held:						
無錫藥明康德企業管理有限公司 (WuXi Biologics Holdings Co., Ltd.)#	The PRC August 14, 2014	RMB 951,180,000	RMB 711,382,000	**100**	100	Investment holding
無錫藥明康德生物技術股份有限公司 (WuXi Biopharma)#	The PRC May 25, 2010	RMB 1,715,770,000	RMB 1,445,551,000	**100**	100	Development of, and the provision of consultation services in relation to, the biopharmaceutical technology
WuXi Biologics (Hong Kong) Limited	Hong Kong May 12, 2014	Not applicable	HK$1	**100**	100	International sales contracting service
蘇州藥明康德檢測檢驗有限公司 (WuXi Apptec) (Suzhou) Testing Technology Co., Ltd.)# ("**Suzhou Biologics**")	The PRC May 30,2012	RMB 42,860,000	RMB 42,860,000	**100**	100	Testing and development of testing technologies
上海藥明生物技術有限公司 (Shanghai Biologics)#	The PRC January 6, 2015	RMB 130,000,000	RMB 130,000,000	**100**	100	Research and development in relation to biologics
WuXi Biologics USA, LLC. ("**USA Biologics**")	The United States of America April 21, 2016	US$ 100	US$100	**100**	100	Sales and marketing services in US
無錫明德生物醫藥有限公司 (WuXi Medi Biologics, Inc.)#	The PRC September 26, 2016	US$ 20,000,000	—	**100**	100	Development of, and the provision of consultation services in relation to, the biopharmaceutical technology
WuXi Biologics UK Ltd. ("**UK Biologics**")	The United Kingdom December 2, 2016	Pound Sterling 1,000	Pound Sterling 1,000	**100**	100	Sales and marketing services in Europe
上海藥明康德生物醫藥有限公司 (WuXi Biopharmaceuticals (Shanghai) Co., Ltd)#	The PRC April 7, 2017	US$50,000,000	RMB43,000,000	**100**	N/A	Production and sales of medicals, and provision of services in relation to the biopharmaceutical technology
成都藥明生物技術有限公司 (Wuxi Biologics (Chengdu) Co., Ltd) #	The PRC December 4, 2017	US$80,000,000	—	**100**	N/A	Research and development in relation to biologics

English name is for identification purpose only.

36. Financial Position of the Company

The Company

	2017 RMB'000	2016 RMB'000
Non-current Assets		
Investments in subsidiaries	**97,209**	38,308
Amounts due from subsidiaries	**1,245,753**	31,082
	1,342,962	69,390
Current Assets		
Other receivables and prepayments	**1,054**	5,403
Amounts due from subsidiaries	**1,118,857**	—
Financial assets designated as at FVTPL	**573,378**	—
Time deposits	**98,013**	—
Bank balances and cash	**323,073**	20,251
	2,114,375	25,654
Current Liabilities		
Trade and other payables	**30,288**	94,322
Amounts due to subsidiaries	**25,268**	—
	55,556	94,322
Net Current Assets (Liabilities)	**2,058,819**	(68,668)
Total Assets Less Current Assets	**3,401,781**	722
Capital and Reserves		
Share capital	**192**	158
Reserves	**3,401,589**	564
Total Equity attributable to the Owners of the Company	**3,401,781**	722

37. Reserves Movement of the Company

The movement of the reserves of the Company are as follows:

	Share premium RMB'000	Equity-settled share-based compensation reserve RMB'000	Accumulated losses RMB'000	Total reserves RMB'000
At January 1, 2016	—	—	(16)	(16)
Loss for the year	—	—	(37,728)	(37,728)
Recognition of equity-settled share-based compensation	—	38,308	—	38,308
At December 31, 2016	—	38,308	(37,744)	564
Loss for the year		**—**	**(94,023)**	**(94,023)**
Share premium	**3,436,155**	**—**	**—**	**3,436,155**
Recognition of equity-settled share-based compensation	**—**	**58,893**	**—**	**58,893**
At December 31, 2017	**3,436,155**	**97,201**	**(131,767)**	**3,401,589**

38. Investments in Subsidiaries

	2017 RMB'000	2016 RMB'000
Unlisted shares, at cost (Note i)		
Biologics Investment	**8**	—
Deemed capital contributions to (Note ii):		
WuXi Biopharma	**32,221**	12,206
Shanghai Biologics	**61,330**	25,204
USA Biologics	**1,424**	218
Suzhou Biologics	**1,811**	680
UK Biologics	**415**	—
	97,209	38,308

Notes:

(i) The amount represents the cost of investment amounting to HK$10,000 in Biologics Investments, a wholly owned subsidiary of the Company incorporated in Hong Kong.

(ii) The amounts represent the equity-settled share-based compensation in respect of the respective share options granted by the Company to certain employees of the specified subsidiaries for employees' services rendered to the respective subsidiaries under the Company's Pre-IPO Share Option Scheme as disclosed in Note 34. Since the subsidiaries have no obligation to reimburse such expense, the amounts are treated as deemed capital contribution by the Company to the subsidiaries and included in the Company's cost of investments in subsidiaries.

39. Subsequent Events

The Group has the following events taken place subsequent to December 31, 2017:

On January 15, 2018, the Company adopted a restricted share award scheme (the "Scheme") for the primary purpose of encouraging, motivating and retaining the directors of the Company and employees of the Group. The total number of the restricted shares underlying all grants made pursuant to the Scheme shall not exceed in total three percent (i.e. 34,953,032 Shares) of the issued share capital of the Company as at the adoption date.

On the same day, the Board approved the grant of 3,122,240 restricted shares to the employees of the Group under the Scheme. The vesting period of the restricted shares granted under the Scheme is that 20% each for the first 3 vesting period and 40% for the last vesting period with the first vesting date set to be the first date after locked period, i.e. January 15, 2020, and each subsequent vesting date shall be the first, second and third anniversaries of the first vesting date. The closing price of the shares on the grant date as quoted on the Stock Exchange of Hong Kong Limited is HK$55.0 per share. Based on the preliminary assessment of the directors of the Company, the fair value of the restricted shares approximates to the closing price of the shares on the grant date and the resulting total restricted shares compensation charge would be approximately RMB143,546,000 of which approximately RMB40,816,000 would be charged to the profit and loss for the year ending December 31, 2018.

Definitions

"AGM"	annual general meeting of the Company
"Articles of Association"	the articles of association of the Company (as amended from time to time) adopted on June 13, 2017
"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
"CAGR"	compound annual growth rate
"CEO"	the Chief Executive Officer of the Company
"CFDA"	China Food and Drug Administration
"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 annual report, Hong Kong, Macau Special Administrative Region and Taiwan
"Company" or "the Company" or "our" or "our Company" or "we" or "WuXi Biologics"	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
"Controlling Shareholders"	has the meaning ascribed thereto under the Listing Rules and unless the context requires otherwise, includes the Founding Individuals, Biologics Holdings, G&C Limited, G&C I Limited, G&C III Limited, G&C V Limited, G&C VI Limited, G&C VII Limited, G&C IX Limited, G&C Partnership L.P. Group & Cloud Limited, i-growth Ltd, I-Invest World Ltd and New WuXi ESOP L.P.
"Director(s)"	the director(s) of the Company
"European Union"	a politico-economic union of 28 member states that are located primarily in Europe
"Founding Individuals"	Dr. Ge Li, Dr. Ning Zhao, Mr. Xiaozhong Liu and Mr. Zhaohui Zhang

Definitions

"Group" or "the Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"ICH"	International Conference on Harmonization of Technical Requirements for Registration of Pharmaceuticals for Human Use
"IFRS"	International Financial Reporting Standards
"IND"	investigational new drug, an experimental drug for which a pharmaceutical company obtains permission to ship across jurisdictions (usually to clinical investigators) before a marketing application for the drug has been approved
"Life Science Holdings"	New WuXi Life Science Holdings Limited, a companyincorporated under the laws of Cayman Islands on July 2, 2015 with limited liability, which holds 100% issued share capital of Life Science Limited
"Life Science Limited"	New WuXi Life Science Limited, a company incorporated under the laws of the Cayman Islands on July 2, 2015 with limited liability, which holds 100% issued share capital of WuXi PharmaTech
"Listing" or "IPO"	the listing of the Shares on the Main Board of the Stock Exchange on June 13, 2017
"Listing Date"	June 13, 2017, being the date on which the Shares were listed on the Main Board
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
"MAH"	Marketing Authorization Holder
"Main Board"	the Main Board of the Stock Exchange
"MedImmune/AstraZeneca"	the global biologics research and development arm of AstraZeneca, which is an indirect shareholder of the Company's connected person, WX MedImmune
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
"NYSE"	the New York Stock Exchange

"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
"Relevant Period"	the period from the Listing Date to the date of this annual report
"Reporting Period"	the one-year period from January 1, 2017 to December 31, 2017
"Renminbi" or "RMB"	Renminbi Yuan, the lawful currency of China
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
"Shanghai Biologics"	WuXi Biologics (Shanghai) Co., Ltd. (上海藥明生物技術有限公司), a company incorporated in the PRC on January 6, 2015 and an indirect wholly-owned subsidiary of the Company
"Shareholder(s)"	holder(s) of Shares
"Share(s)"	ordinary share(s) in the capital of the Company with nominal value of US$0.000025 each
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"U.S. dollar(s)" or "US$"	United States dollars, the lawful currency of the United States of America
"U.S. FDA"	The Food and Drug Administration of the United States of America
"WAHK"	WuXi AppTec (Hong Kong) Limited, a company incorporated under the laws of Hong Kong on March 26, 2012 with limited liability and a wholly-owned subsidiary of WuXi AppTec
"Written Guidelines"	the Written Guidelines for Securities Transactions by Directors adopted by the Company
"WuXi Biopharma"	WuXi AppTec Biopharmaceuticals Co., Ltd. (無錫藥明康德生物技術股份有公司), a company incorporated in the PRC on May 25, 2010 and an indirect wholly-owned subsidiary of the Company
"WuXi AppTec"	WuXi AppTec Co., Ltd. (無錫藥明康得新藥開發股份有限公司), a company incorporated in the PRC on December 1, 2000, in which the Founding Individuals and investors own 34.48% and 65.52% of its voting power, respectively

Definitions

"WuXi PharmaTech"	WuXi PharmaTech (Cayman) Inc., a company incorporated under the laws of the Cayman Islands on March 16, 2007 with limited liability, which directly holds 79.17% issued share capital of Biologics Holdings. Its shares were listed on the NYSE (stock code: WX), and were delisted from the NYSE on December 10, 2015
"WXAT Shanghai"	WuXi AppTec (Shanghai) Co., Ltd. (上海藥明康德新藥開發有限公司), a company incorporated in the PRC on April 2, 2002 and a wholly-owned subsidiary of WuXi AppTec

In this annual report, unless otherwise indicated, 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.