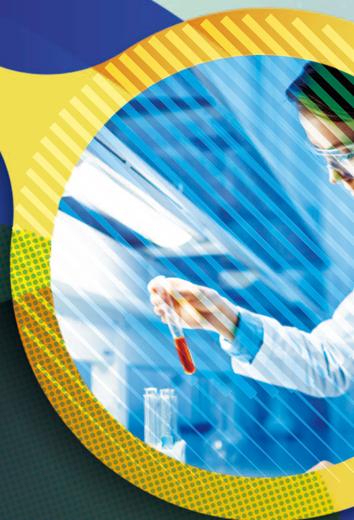
WuXi Biologics
Global Solution Provider

WuXi Biologics (Cayman) Inc.
藥明生物技術有限公司*

(Incorporated in the Cayman Islands with Limited Liability)

Stock Code: 2269



ANNUAL REPORT
2020

*For identification purpose only

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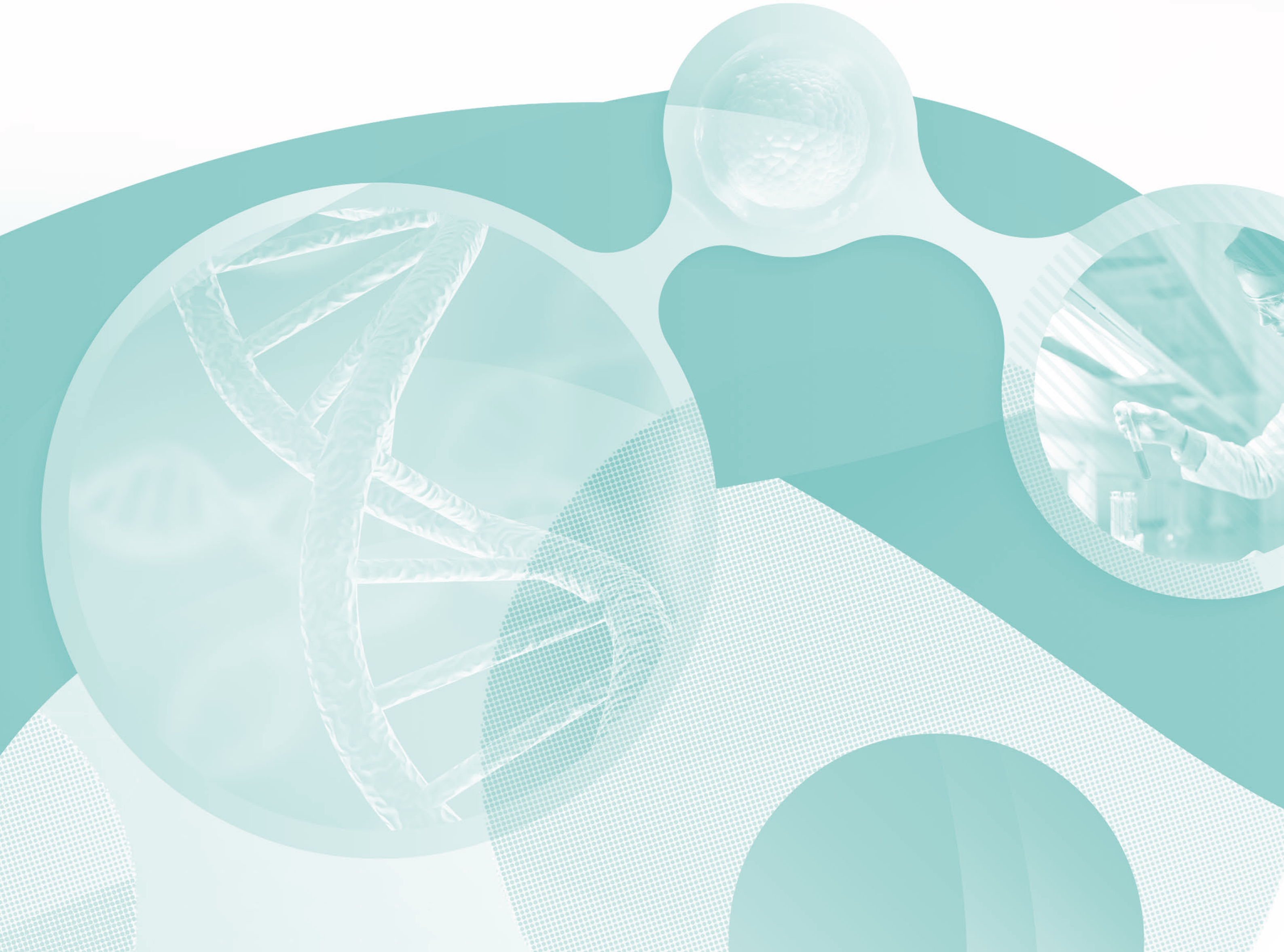

Corporate Information

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. Kenneth Walton Hitchner III

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

Mr. William Robert Keller *(Chairman)*
Mr. Edward Hu
Mr. Kenneth Walton Hitchner III

NOMINATION COMMITTEE

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

STRATEGY COMMITTEE

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE

Dr. Zhisheng Chen *(Chairman)*
Mr. William Robert Keller
Mr. Kenneth Walton Hitchner III

AUTHORISED REPRESENTATIVES

Dr. Zhisheng Chen
Ms. Sham Ying Man

JOINT COMPANY SECRETARIES

Mr. Huang Yue
Ms. Sham Ying Man

REGISTERED OFFICE

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CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Tricor Investor Service Limited
Level 54, Hopewell Centre
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Hong Kong

HONG KONG LEGAL ADVISER

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Hong Kong

AUDITOR

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Registered Public Interest Entity Auditors
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Hong Kong

STOCK CODE

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COMPANY WEBSITE

www.wuxibiologics.com

Chairman and CEO Statement

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of WuXi Biologics (Cayman) Inc. (the "**Company**") and its subsidiaries (collectively the "**Group**"), we are pleased to present to you the Group's annual report for 2020.

2020 was a year filled with unprecedented challenges for all of us. Yet those challenges also brought new opportunities for collaboration within the global healthcare industry. Drawing on our commitment to reliability and resiliency, the Group demonstrated our dedication to accelerating and transforming biologics discovery, development and manufacturing for the global biologics community. Over the course of the year, we enabled 12 projects related to the COVID-19 pandemic, with more than 20 investigational new drug (**IND**) applications approved globally within a record-breaking three-to-five month DNA to IND timeline. We also added 103 integrated projects to our pipeline, resulting in a total of 334 integrated projects. Our total backlog also leaped to US$11,324 million with a 122% increase. These outstanding achievements further boosted the Group's 2020 financial results with a 40.9% increase in year-on-year revenue and a 67.5% improvement in net profit.

In addition, our business units reached several important milestones in pursuit of our innovative "Win-the-Molecule" strategy and "Global Dual Sourcing within WuXi Bio" manufacturing paradigm.

- Our world-class bispecific technology platform WuXiBody® and antibody-drug conjugate (**ADC**) platform were both steadily adopted throughout the industry. During the Reporting Period, the number of WuXiBody® and ADC projects increased to 29 and 40, respectively.

- We extended our global footprint to account for biologics hotspots with a total planned capacity of around 430,000L. Construction of new facilities in Ireland, the United States, and China remains on course, and we expanded our global capacity through a series of acquisitions, including Drug Product (**DP**) and Drug Substance (**DS**) facilities purchased from Bayer Aktiengesellschaft in Leverkusen and Wuppertal, Germany, respectively; DP and DS facilities in Hangzhou, China from Pfizer; and the acquisition of CMAB, a full-service CDMO company, in Suzhou, China.

- Our vaccine CDMO business made significant progress by signing four new contracts, including a strategic partnership manufacturing agreement with a global vaccine leader for a total contract value estimated to be over US$3 billion and other COVID-19 vaccine contracts valued over US$260 million to combat the pandemic.

- We were selected as a constituent of the Hang Seng Index (**HSI**) in 2020, reflecting the capital market's recognition of the Group's leading market position in the healthcare industry, robust fundamentals and strong financial performance.

- We continue to implement Environmental, Social and Governance (**ESG**) standards throughout our business activities to ensure the well-being of the communities in which we operate. In recognition of these efforts, the Group was granted an "A" rating by the MSCI ESG assessment, received the Best ESG Award from Institutional Investor, and was included in FTSE4Good Index Series during the Reporting Period.

As an industry-leading global biologics CDMO, the Group sought to provide advanced capabilities and capacity, cutting-edge technology platforms and comprehensive service solutions to our customers and partners despite the challenges of the pandemic. These efforts have been supported by the hard work, commitment and dedication of more than six thousand employees. Looking ahead, we are confident that the Group will continue to provide unparalleled services to the global biologics industry. In order to meet the evolving demands of the global biologics industry, we commit to maintaining strong growth over the coming years and providing solutions to customers and partners seeking to discover, develop and manufacture biologics from concept to commercial manufacturing in a cost-effective and timely manner.

On behalf of the Board and the Group's management team, we would like to express our heartfelt gratitude to our customers, partners and shareholders. The trust you place in us is a constant reminder of our responsibility to strive for excellence. At the time of publication, several effective COVID-19 vaccines have been developed and brought to market. While many are still adversely affected by the public health and economic impacts of the pandemic, we remain optimistic about the prospects for a global recovery.

As we look to the remainder of 2021, we will continue to build our comprehensive capabilities and technology platforms to not only enable our customers and partners but also pursue the grand vision that "every drug can be made and every disease can be treated!"

Dr. Ge Li
Chairman
March 23, 2021

Dr. Zhisheng Chen
CEO
March 23, 2021

Financial Highlights

	For the year ended December 31,				
	2016 RMB'000	2017 RMB'000	2018 RMB'000	2019 RMB'000	**2020** **RMB'000**
Operating results					
Revenue	989,029	1,618,829	2,534,453	3,983,687	**5,612,384**
Gross profit	389,110	660,557	1,017,755	1,658,829	**2,532,966**
Profit before tax	175,846	303,687	737,722	1,126,633	**1,965,760**
Net profit	141,096	252,628	630,465	1,010,337	**1,692,694**
Profit attributable to equity shareholders of the Company	141,096	252,628	630,592	1,013,805	**1,688,886**
Adjusted net profit(1)	220,527	432,872	751,557	1,201,449(1)	**1,715,838**
Adjusted net profit attributable to equity shareholders of the Company	220,527	432,872	751,684	1,204,917	**1,721,990**
Profitability					
Gross margin (%)	39.3%	40.8%	40.2%	41.6%	**45.1%**
Net profit margin (%)	14.3%	15.6%	24.9%	25.4%	**30.2%**
Adjusted net profit margin (%)	22.3%	26.7%	29.7%	30.2%	**30.6%**

	As at December 31,				
	2016 RMB'000	2017 RMB'000	2018 RMB'000	2019 RMB'000	**2020** **RMB'000**
Financial position					
Total assets	1,984,996	4,848,962	9,393,150	17,602,269	**28,963,613**
Total liabilities	1,714,529	824,602	1,398,922	4,706,169	**8,064,217**
Total equity	270,467	4,024,360	7,994,228	12,896,100	**20,899,396**
Equity attributable to equity shareholders of the Company	270,467	4,024,360	7,993,755	12,784,363	**20,564,445**
Bank balances and cash	169,102	503,881	4,084,395	6,205,496	**7,095,735**

(1) Details are set out in "Non-IFRS Measures" on pages from 34 to 36.

Business Review

Overall Performance

The Group achieved outstanding performance by maintaining its reliability and resiliency during the Reporting Period. After adjustments for COVID-19 pandemic disruption and the successful launch of the "Win-the-Molecule" strategy, the Group leveraged its unparalleled capabilities and capacity to support and enable global customers and partners, particularly those pursuing COVID-19 treatments and vaccines, which boosted the Group's strong growth.

- The total number of integrated projects increased by 33.6% from 250 as at the same time last year to 334 as at December 31, 2020.
- The total number of pre-clinical projects increased by 39.7% from 121 as at the same time last year to 169 as at December 31, 2020.
- The total number of early-phase (phases I and II) projects increased by 20.5% from 112 as at the same time last year to 135 (103 in phase I and 32 in phase II) as at December 31, 2020.
- The number of late-phase (phase III) projects increased by 75.0% from 16 as at the same time last year to 28 as at December 31, 2020.
- The Group added one more commercial manufacturing project during the Reporting Period.
- The Group also achieved great success in progressing projects from pre-IND stage to post-IND stage: 36 projects progressed from pre-clinical development stage to early-phase stage during the Reporting Period.

The following table sets forth the status of the on-going integrated projects of the Group as at December 31, 2020:

Biologics development process stage	Number of on-going integrated projects[(1)(4)]	Typical duration	Typical service revenue[(2)]
Pre-IND			
— Drug discovery	—	2 years	US$1.5–2.5 mm
— Pre-clinical development	169	2 years	US$4–6 mm
Post-IND			
— Early-phase (phases I & II) clinical development	135	3 years	US$4–6 mm
— Phase I clinical development	103		
— Phase II clinical development	32		
— Late-phase (phase III) clinical development	28	3–5 years	US$20–50 mm
— Commercial manufacturing	2	Annually	US$50–100 mm[(3)]
Total	**334**		

Notes:

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

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

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

(4) As at the date of the Annual Results Announcement, the total number of on-going integrated projects is 361, including 190 pre-clinical projects, 137 early-phase projects (101 in phase I and 36 in phase II), 32 late-phase projects and 2 commercial manufacturing projects.

The Group's revenue for the year ended December 31, 2020 increased by 40.9% year-on-year to RMB5,612.4 million, together with a 67.5% year-on-year growth in net profit to RMB1,692.7 million. The Group's total backlog, including the service backlog and upcoming potential milestone fees backlog, also soared sharply by 122.0% from US$5,102 million as of December 31, 2019 to US$11,324 million as of December 31, 2020, of which service backlog increased by 293.2% from US$1,686 million to US$6,629 million and upcoming potential milestone fees backlog increased 37.4% from US$3,416 million to US$4,695 million. The service backlog represents the revenue amount the Group has contracted but has yet to perform. The total upcoming potential milestone fees backlog represent the total amount for upcoming milestone fees, which the Group has contracted but has not yet performed nor received. This milestone revenue may take longer to receive at the various development stages as it depends on the success rate and progress of the projects, which may not be within the Group's control.

During the Reporting Period, the Group further diversified its customer base by working with 14 out of the 20 largest pharmaceutical companies in the world and 32 of the 50 largest pharmaceutical companies in China. The Group provided services to 369 customers for the year ended December 31, 2020, compared with 266 customers last year. The Group believes that continuous capability and capacity expansion as well as cooperation with and commitment to its existing customers will enhance its value chain and continue to capture the future opportunities in this growing market.

Perseverance During the Pandemic

Having been disrupted through the COVID-19 outbreak in the initial months of the Reporting Period, the Group's operations recovered and resumed to its full capacity by proactive and effective implementation of the Business Continuity Plan. Credit to the commitment of our employees and management team, all key milestones were achieved for both existing and new integrated projects undertaken by the Group during these unprecedented times.

The Group's perseverance throughout the COVID-19 pandemic is a remarkable demonstration of the Group's capabilities and capacity. Throughout the pandemic, the Group has looked for opportunities to lead the COVID-19 response effort by assembling a large team of leading R&D scientists and collaborating with global customers and partners, seeking to develop potential new treatments and vaccines for COVID-19.

With its state-of-the-art technology platforms and robust global-quality supply network, the Group is among several biologics Contract Development and Manufacturing Organizations ("**CDMO**") that are leaders in expediting the development and manufacturing of potential treatments and vaccines. The Group mobilized over half of its employees to work on COVID-19 projects, enabled over 10 COVID-19 projects globally with more than 20 INDs approved in the U.S., EU, Singapore and China within a record-breaking three to five months DNA to IND timeline. Moving forward, the Group will continue to apply its expertise, industry-leading technology platforms and world-class quality standard to support its global customers and business partners in overcoming the pandemic.

Strategic Highlights

During the Reporting Period, the Group enabled customers and partners seeking to confront COVID-19 and other diseases by offering its industry-leading single-source platform. Driven by the Group's innovative "Win-the-Molecule" strategy, the Group achieved the following strategic milestones during the Reporting Period:

- The Group stepped up its investment and efforts to deploy globally a total planned biologics production capacity of around 430,000 liters as of the date of the Annual Results Announcement, to fulfill its "Global Dual Sourcing within WuXi Bio" manufacturing paradigm. This paradigm enables the Group's partners to manufacture from facilities within the Group's global supply network throughout China, the EU and the U.S. to eliminate technical risks associated with cross-company technology transfer while also ensuring their global biologics supply needs. Please also refer to the section headed "Capacity Expansion" for more information.

- In January 2020, the Group purchased from Bayer Aktiengesellschaft certain facility assets of the biologics drug product (**DP**) cGMP fill-and-finish manufacturing plant located in Leverkusen, Germany. In December 2020, the Group further purchased from Bayer Aktiengesellschaft certain facility assets of the biologics drug substance (**DS**) manufacturing plant located in Wuppertal, Germany. These acquisitions further expanded the Group's DP and DS manufacturing capacities to meet the growing global demand for biological therapeutics. For more details, please refer to the Company's announcements dated January 16, 2020, January 20, 2020, and December 21, 2020.

- The Group's vaccines CDMO business made significant progress by signing four new contracts, including a strategic partnership manufacturing agreement with a global vaccine leader for an initial term of twenty years and a total contract value estimated to be over US$3 billion, and other COVID-19 vaccine contracts valued over US$260 million to combat against the pandemic. The Group also initiated an investment in a new integrated vaccine manufacturing facility in Ireland. The vaccines business will contribute substantially to the Group's future overall business growth[(1)].

- The Company has been selected as a constituent of the Hang Seng Index (**HSI**) with an index weight of 1.75% (ranking 13th among the 50 constituents), with effect on September 7, 2020. Being a company listed only for three and a half years, the Company's inclusion as one of the three pharmaceutical companies in the HSI, the most representative and important benchmark as well as the most widely quoted indicator of the overall performance of the Hong Kong stock market, not only validates the capital market's recognition of the Group's leading market position in the healthcare industry, robust fundamentals and strong financial performance but also demonstrates the successful implementation of our business strategies.

Technology Platforms

As an industry-leading technology pioneer, the Group is fueled by a culture of innovation. It constantly invests in cutting-edge technology platforms throughout the life cycle of biologics discovery, development and manufacturing. These proprietary technology platforms will not only generate further milestones and royalty revenues but will also introduce more biologics projects into the Group's pipeline under the "Win-the-Molecule" strategy.

(1) As of the end of the Reporting Period, the total assets and total equity of WuXi Vaccines are approximately RMB1,599.5 million and approximately RMB726.3 million, respectively. During the Reporting Period, the total business revenue, total business cost and total net profit of WuXi Vaccines are approximately RMB72.2 million, RMB64.1 million and RMB12.3 million, respectively.

Antibody-drug Conjugates

Antibody-drug Conjugate (**ADC**) is a new class of highly potent biologics composed of an antibody linked, via a chemical linker, to a biologically active drug or cytotoxic compound. Compared to traditional chemotherapies and mAbs, ADCs show superior efficacy, lower off-target toxicity and a larger therapeutic window. They are now considered as a versatile therapeutic tool and have been accepted into the contemporary portfolio of mainstream biologics drugs. Since 2019, five ADCs have been approved by the U.S. FDA, accounting for half of all approved ADCs in history. With the number of ADC product candidates at unprecedented levels in clinical trials, the industry is optimistic that ADC will shape future treatment paradigms.

As a global leading biologics CDMO service provider, the Group gained considerable experience in working with numerous different antibodies or other biological molecules, linkers and payload chemistries, and combinations thereof, which uniquely qualifies the Group to provide its partners with tailor-made options and solutions for development and manufacturing of ADCs. Through its world-class R&D efforts, the Group has also developed a novel linker for lysine-based conjugation that demonstrates higher reactivity, better solubility and a more flexible range of conjugation temperatures. A unique payload chemistry to provide more homogenous drug loading for cysteine-based conjugation was also developed. As of the end of the Reporting Period, the Group has secured 40 ADC projects globally, many of them have reached IND stages to phase II/III stages.

The Group's new ADC facility, DP3, encompasses an area of approximately 6,000 square meters and provides integrated solutions from process development, technology transfer, and pilot scale to large-scale cGMP production for ADCs and other complex protein conjugates, strictly complying with global quality standards. This state-of-the-art facility adopts an advanced fully isolated automatic aseptic filling system, which can produce 2/6/10/20/50 ml liquid and lyophilized products and provide the flexibility to meet the production requirements of global clinical trials and product launch. Since its GMP production release in 2019, DP3 has produced more than 50 GMP DS and DP batches. Furthermore, the demand for ADCs produced by the Group continues to increase as evidenced by a huge leap in the number of the completed production batches in the second half year of 2020.

The extreme difficulties associated with the development of ADCs have led to a remarkable 70–80% of ADCs under development being outsourced to CDMOs. As a response to such emerging and urgent demands from the global ADC projects, the Group has initiated a capacity expansion project at DP3. An additional 20 square meters capacity lyophilizer is being installed in the existing facility, thus bringing a five-fold lyophilization capacity increase. This additional capacity was added to meet the requirements from multiple late stage ADC development and manufacturing projects. In addition, some pilot operation areas are being transformed into GMP suites to meet upcoming conjugation and formulation needs. These new GMP areas will also provide segregated suites for special projects such as liposome and nanoparticle production.

Bispecific and Multispecific Antibodies

Multispecific drugs, particularly bispecific and multispecific antibodies, have been leading the way in the field of antibody-based therapeutics and viewed as the start of a new era of biologics innovation. Two recent industry journal articles help outline the growing excitement and utility of multispecific antibody therapeutics as new therapeutic modalities. The articles "Multispecific drugs herald a new era of biopharmaceutical innovation" (Nature, April 2020) and "Biology drives the discovery of bispecific antibodies as innovative therapeutics" (Antibody Therapeutics, January 2020) show exciting results and how these emerging therapies are currently being developed to fight cancer and other diseases. With currently more than 100 different bispecific formats available, and approximately 120 bispecific antibodies in clinical trials, many believe that the market for these bispecific and multispecific antibodies hold significant long-term potential growth.

Despite how promising they are, various challenges associated with protein engineering, product stability and manufacturing delayed bispecific antibodies from undergoing wide-spread development. Utilizing the Group's extensive experience in antibody development and its world-class scientist team, the Group developed and launched the innovative WuXiBody® bispecific antibody platform. This platform allows valency flexibility and also permits almost any mAb pair to be easily joined to build a bispecific antibody.

In addition to the shortened development timelines and substantially reduced cost, WuXiBody® platform also offers many other benefits, including high yield, high solubility, good stability in serum and increased in vivo half-life, amongst others, to global bispecific antibody therapeutic developers.

Since its market launch, WuXiBody® has been steadily adopted in the industry. The Group's scientists have also been invited to present on the WuXiBody® platform at various world renowned conferences focused on antibody therapeutics including but not limited to PEGS (Protein Engineering Summit) and the Antibody Engineering and Therapeutics Conference. Relevant projects based on WuXiBody® platform have delivered strong growth for and will continue contributing to the Group's businesses. As of the end of the Reporting Period, the WuXiBody® platform has been widely used in 29 projects. The first WuXiBody® bispecific molecule has received IND approval during the Reporting Period and expects to start First-in-Human (**FIH**) trials soon.

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

Other Proprietary Technology Platforms

In addition to the industry-leading technology platforms listed previously, the Group also offers various state-of-the-art platforms, such as an exciting platform for mRNA (messenger RNA)-based vaccines, for biologics discovery, development and manufacturing.

WuXia™, the Group's proprietary Chinese Hamster Ovary (**CHO**) cell line development platform enables the Group to conduct more than 80 IND-enabling projects per year, one of the largest capacities in the world. WuXia™ has provided more than 400 cell lines for pre-clinical development and beyond. Utilizing an Artificial Intelligence (**AI**) based codon optimization program, and proprietary expression vector system, in only 9–10 weeks top 3 clones with high expression levels can be obtained and utilized for process development and cGMP manufacturing. Combined with the Group's EU EMA certified cGMP cell banking and cell line characterization services, the WuXia™ platform is ideal for the production of a variety of therapeutic proteins including mAbs, bispecific antibodies, fusion proteins and recombinant proteins.

WuXiUP™, the Group's proprietary continuous manufacturing platform, utilizes 1,000–2,000L disposable bioreactors to achieve comparable productivity as a traditional 10,000–20,000L stainless steel bioreactor while still providing similar or even better purification yield. The WuXiUP™ platform accelerates biologics development and manufacturing, and significantly reduces manufacturing costs of biologics. The intensified and continuous cell culture process used in this novel technology platform can be rapidly developed or converted from traditional fed-batch process while maintaining excellent scalability and robustness. Coupled with continuous product capture column chromatography, the WuXiUP™ platform enables continuous direct product capture with a similar or better purification yield as traditional purification processes for almost any kind of biologics. During the Reporting Period, this continuous direct product capture platform was established and successfully scaled up at the Shanghai site for clinical production of a bispecific antibody developed using our WuXiBody® platform with consistent process performance and product quality profiles. In addition, the IND application for this product has been approved by China National Medical Products Administration (**NMPA**). Furthermore, scale-up manufacturing has been successfully conducted for four more projects utilizing the WuXiUP™ platform. In total, WuXiUP™ has been implemented in more than 30 projects for production of mAbs, bispecific antibodies, fusion proteins and enzymes achieving ultra-high productivity at lab scale.

Research and Development

During the Reporting Period, the Group's R&D team, which has more than 350 scientists, many of whom have multiple years of biologics drug discovery experience at multinational pharmaceutical companies, continuously focused on: (i) enhancing innovative biologics generation capabilities and optimizing several existing technological platforms, including traditional hybridoma technology, premium humanization and various antibody optimization platforms (including pH sensitivity engineering and disease microenvironment modulating engineering), phage display technology, fully human antibodies, bispecifics, multispecifics, nanobodies and antibody fragments to expedite the discovery of novel therapeutic biologics; (ii) supporting the Group's global partners in using the proprietary bispecific antibody platforms, including WuXiBody®, enabling them to considerably accelerate the development process of new bispecific and multi-functional biologics; (iii) enhancing the Group's in vitro and particularly in vivo biology capabilities and capacity to further enhance our one-stop service offering and to enable the screening, identification and characterization of desired biologics as drug development candidates; (iv) continuously identifying and prioritizing new areas of biologic innovation and developing proprietary technologies to enable the Group's clients to discover and develop differentiated novel biologic drugs; (v) continuously enhancing R&D capabilities in the design and discovery of best-in-class and novel preclinical candidates (**PCC**) driven by deep understanding of disease biology and target biology and mastery of state-of-the-art biologics engineering technologies; (vi) further expanding our service from PCC to preclinical development for IND enabling by providing rapid pre-clinical development services to multiple client SARS-CoV-2 neutralization antibody projects; and (vii) refining systems and structuring teams for more efficient business operations and optimized cost control to ensure the provision of quality and efficient technical solutions for clients.

Manufacturing, Testing and Quality

Manufacturing

In the spirit of "WuXi Bio Grit", the Group minimized the pandemic's impact on its manufacturing operations. The Group maintained regular and transparent communications with clients and exceeded its manufacturing goals by deploying various cutting-edge information technologies and creative collaboration processes, including remote Person-in-Plant (**PIP**), remote due diligence and remote quality auditing processes. During the Reporting Period, most of the Group's manufacturing facilities maintained almost full utilization due to surging global demands for COVID-19-related and other biologics projects. The Group passed all GMP audits and inspections during the Reporting Period, including remote audits from global clients and regulatory agencies, which validated the Group's premier quality system and advanced single-use disposable technology for biologics manufacturing.

- The Group's Manufacturing Facility 1 (**MFG1**), the first biologics manufacturing facility in China approved by both the U.S. FDA and the EU EMA, despite the challenges of the first quarter of the Reporting Period, successfully completed process performance qualification (**PPQ**) projects during the COVID-19 pandemic.

- The Group's Manufacturing Facility 2 (**MFG2**) deploys 14 2,000L-capacity and two 1,000L-capacity disposable bioreactors. The combination of multiple single-use bioreactors offers a highly flexible manufacturing strategy and competitive cost structure compared with traditional stainless steel bioreactor facilities. MFG2 achieved a significant milestone during the Reporting Period by completing its PPQ runs in April 2020.

- With a 7,000L bioreactor capacity at Manufacturing Facility 3 (**MFG3**), the Group's Shanghai site now offers complete one-stop biologics development and manufacturing services in one central location. Having both functions within the same location streamlines clinical Chemistry, Manufacturing and Control (**CMC**) activities, enabling the Group's clients to reach their clinical manufacturing goals within the shortest time possible. During the Reporting Period, MFG3 completed business-substantial batches with a remarkable 100% success rate.

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

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

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

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

Testing

During the Reporting Period, the Group's biosafety testing facility at the Suzhou site continued to improve its operations. The Suzhou site significantly shortened the turnaround times for all the biosafety tests and viral clearance validation studies it conducted for our clients. The Suzhou site also received an EU EMA GMP certificate during the Reporting Period, which is a great achievement for its quality system and testing capability. This approval continues to validate the Group's high level of quality commitment to our global clients and partners. The Suzhou site also expanded its biosafety testing capabilities by developing analytical methods for various gene therapy products, as well as expanding its cell bank characterization test panels to include other species commonly used in the production of biologics and vaccines.

Along with other business units, the Suzhou site actively deployed for our clients its high-quality biosafety testing platform for more than 10 new biologics targeting the SARS-CoV-2 virus, including the first new neutralizing antibody against COVID-19 approved by NMPA for clinical trials.

Additionally in the Suzhou site, full operation of another new laboratory building at the beginning of the Reporting Period further increased the biosafety testing capacity, which provided a solid basis for the Suzhou site to provide higher quality and higher speed biosafety testing services to more clients and partners. With substantial growth expected for the biosafety testing business, an additional facility has been strategically planned to help increase our capacity further and ensure we meet client expectations for delivering high-quality, efficient and expeditious testing services.

Quality

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

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

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

The Global Quality Compliance Department, established in late 2019, will continue to assist quality assurance and quality control departments and to facilitate global quality operations.

With its industry-leading quality system, the Group has passed various regulatory inspections conducted by U.S. FDA, EU EMA and Brazilian Health Regulatory Agency (**ANVISA**), which distinguishes the Group as the first and the only biologics company certificated by these regulatory agencies for commercial manufacturing in China. The Group believes that these certificates will help to manifest the Group's world-class quality system that meets global quality standards and thereby benefits patients globally with biologics of better quality.

Capacity Expansion

The Group is continuously investing in its global capacity expansion to accommodate the Group's increasing number of late-phase projects, satisfy burgeoning global capacity demands, and fulfill its "Global Dual Sourcing within WuXi Bio" manufacturing paradigm. The Group's total planned capacity across the world has reached around 430,000 liters as of the date of the Annual Results Announcement.

Facility	Designed Capacity	Location	Comments
MFG5	60,000L fed-batch	Wuxi	Commercial
MFG6	6,000L perfusion	Ireland	Commercial
MFG7	48,000L fed-batch	Ireland	Commercial
MFG8	48,000L fed-batch	Shijiazhuang	Commercial
MFG9	96,000L fed-batch	Wuxi	Commercial
MFG10	4,500L fed-batch/perfusion	Singapore	Clinical/Commercial
MFG11	16,000L fed-batch	Worcester, MA	Clinical/Commercial
MFG12	48,000L fed-batch	Chengdu	Clinical/Commercial
MFG13	2,000L Viral	Hangzhou	Clinical/Commercial
MFG14	2,300L Microbial	Hangzhou	Clinical/Commercial
MFG17	10,000L fed-batch	Shanghai	Clinical
MFG18	6,000L fed-batch	Cranbury, NJ	Clinical
MFG19	15,000L fed-batch/perfusion	Wuppertal, Germany	Commercial
MFG20	8,000L fed-batch	Hangzhou	Commercial
MFG21	7,000L fed-batch	Suzhou	Clinical

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

- The Group's Dundalk, Ireland site (**MFG6** and **MFG7**), its first European site, is well under way with 85% of its construction completed as of the end of the Reporting Period . Commissioning, qualification and validation work are ongoing with production expected in 2022. Once completed, this "Factory of the Future" will be one of the world's largest facilities using single-use bioreactors alongside next generation continuous manufacturing process technology.

- The Group's vaccines facility in Ireland also steadily progressed. As of the end of the Reporting Period, its modular lab was released into operation and is generating revenue. It was announced the Winner of the Large Pharma Project of the Year by Ireland's 2020 Pharma Industry Awards. The main facility is expected to achieve "weather-tight" status in early 2021.

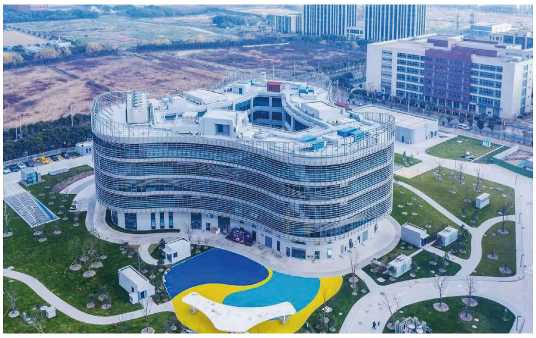
- To meet increasing demand from the U.S. market, the Group has taken firm steps to establish and expand its capacity there:

  - During the Reporting Period, the Group signed a land purchase agreement and broke ground on a new biologics Development and Manufacturing Facility (**MFG11**) in Worcester, Massachusetts, a biotechnology hub. This 107,000 square-foot facility will enable biomanufacturing from late-phase clinical to commercial production and is expected to be completed in 2023.

  - The Group's Manufacturing Facility 18 (**MFG18**) in Cranbury, New Jersey, is expected to commence production in 2021 as the Group's first manufacturing facility to be operational in the U.S. This 66,000 square-foot cGMP clinical manufacturing facility will have full process development capability, from cell line development to non-GMP pilot production. With a clinical DP manufacturing expansion plan expected in the near future, MFG18 will soon provide comprehensive services within the Group's global site network.

  - In addition, the Group opened a 33,000 square-foot process development and testing lab in King of Prussia, Pennsylvania (**KOP**) during the Reporting Period. The KOP facility further enables the Group to work with both local and global partners to advance their innovative and life-saving products.

- The Group's new site in the Fengxian district of Shanghai will become a comprehensive one-stop center for biologics discovery, development, and clinical and commercial manufacturing. Phase I construction, which consists of a 34,000 square meters six-story building that houses laboratories and facilities for biologics discovery and development, has been completed and will begin full operation in early 2021. Phase II construction consisting of four buildings totaling 60,000 square meters, is in progress smoothly with a completion rate of 70% by the end of the Reporting Period. Altogether, including the future Phase III facilities, the total area of this new state-of-the-art biologics center will be 150,000 square meters.



- The Group's Manufacturing Facility 5 (**MFG5**), located in Wuxi city, is progressing well to be GMP released in 2021. Once completed, MFG5 will be the world's largest single-use bioreactor-based cGMP biologics facility. It will host a nine 4,000L bioreactor line and a twelve 2,000L bioreactor line for commercial DS production. In early 2021, its nine 4,000L single-use bioreactors line has successfully launched GMP operation, which greatly enhanced the Group's capability to enable global clients and partners.

- The Group's Manufacturing Facility 8 (**MFG8**) broke ground in 2018 at Shijiazhuang, the capital city of the Hebei Province in Northern China. With a planned capacity of 48,000L, MFG8 is designed to meet the rigorous international cGMP standards of the U.S., EU and China. The outer shells of the facility were completed during the Reporting Period.

- The Group's biologics integrated innovation center has been in operation in Hangzhou, Zhejiang Province, China since November 2020. From process development to analytical testing, from cGMP DS manufacturing to robotic aseptic DP filling, the innovation center in Hangzhou will provide a full spectrum of services to next-generation biological products based on viral production (**MFG13**) and microbial fermentation (**MFG14**) platforms as part of the Group's continuous efforts to meet the surging demand from these new modalities.

Sales and Marketing

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

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

During the Reporting Period, the Group used multiple digital marketing and promotional strategies that included advertisements, company press releases, social media, webinars, podcasts and email marketing and advertising to promote its various technologies and platforms, including the exciting WuXiBody® bispecific antibody platform, proprietary WuXia™ cell line development system, novel formulation and fill capabilities, facility expansions throughout China, Europe and the U.S., "Global Dual Sourcing within WuXi Bio" strategy and the WuXiUP™ continuous manufacturing platform. In the fourth quarter of 2020, special emphasis was placed on promoting the Group's single-source ADC/bioconjugates capabilities and our industry leading DNA to IND timelines. A successful informational webinar to the global drug development market on how these timelines expedited critical COVID-19 biologics into clinical trials for all those affected by the pandemic. Using this digital and global multichannel marketing approach to highlight its differentiated competitive strengths, the Group once again solidified its role as the world's leading premier supplier and partner in the biologics industry.

Strategic Collaborations with Global Partners

Despite various constraints imposed by the pandemic, the Group continued to form strategic partnerships and introduce more biologics projects into the pipeline by leveraging its cutting-edge technologies, best-in-industry timelines, excellent track record and unparalleled capacity with the "Win-the-Molecule" strategy and the "Global Dual Sourcing within WuXi Bio" manufacturing paradigm.

- Strategic collaboration with Almirall, S.A. ("**Almirall**"), a leading dermatological pharmaceutical company listed on the Spanish Stock Exchange (Stock code: ALM), to enable Almirall to leverage the Group's various technology platforms including the proprietary WuXiBody® platform to develop bispecific antibodies for dermatological diseases;

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

- Strategic collaboration with Aravive, Inc. (NASDAQ: ARAV), a clinical-stage biopharmaceutical company, using the WuXiBody® platform to develop high-affinity bispecific antibodies for a target implicated in cancer and fibrosis;

- Strategic collaboration with Tubulis GmbH ("**Tubulis**") and STA Pharmaceutical Co., Ltd. ("**WuXi STA**") to advance Tubulis' next generation ADCs towards IND-enabling studies. Tubulis is a Germany-based company that generates uniquely matched protein-drug conjugates by combining proprietary novel technologies with disease-specific biology. In accordance with the partnership agreement, the Group and WuXi STA will become the CDMO partners for Tubulis and will perform scale-up, process development and GMP manufacturing for the ADC product intermediates;

- Expansion of a strategic relationship with Arcus Biosciences, Inc. ("**Arcus**") (NYSE: RCUS), an oncology-focused biopharmaceutical company, to aid in discovering anti-CD39 antibodies. This is the fourth antibody development program collaboration using the Group's proprietary technology;

- Strengthened a strategic partnership with AC Immune SA ("**AC Immune**") (NASDAQ: ACIU), a Switzerland-based, clinical-stage biopharmaceutical company with a broad pipeline focused on neurodegenerative diseases, to accelerate advancement of AC Immune's TDP-43 antibody into clinical development for NeuroOrphan indications. The expansion of the partnership reflects the extensive trust and recognition of the Group by AC Immune; and

- Collaboration with AB2 Bio Ltd. ("**AB2 Bio**"), a Switzerland-based advanced clinical-stage biotech company developing innovative therapies for the treatment of severe systemic autoinflammatory diseases, to set-up and accelerate commercial-scale manufacturing of Tadekinig alfa, AB2 Bio's novel recombinant IL-18 binding protein.

Environmental, Social and Governance (ESG)

During the Reporting Period, the Group continued to advance its mission of accelerating and transforming the discovery, development and manufacturing of biologics. The Group strived to enforce the highest ESG standards by, among others, adopting various environmentally friendly technologies to protect natural resources, launching more Corporate Social Responsibility (**CSR**) initiatives to benefit global employees, partners, patients and communities and reorganizing the ESG taskforce to prioritize the efforts of fulfilling the social responsibility and contributing to global sustainable development goals. As a recognition to these endeavors, the Group was granted an A rating by the MSCI ESG assessment and received ESG awards during the Reporting Period. Please refer to the section headed "**Company Awards**".

Company Awards

In acknowledgment of its outstanding performance achieved in providing industry-leading service to accelerate and transform biologics development, as well as its continuous effort in Environmental, Social and Governance (**ESG**), the Group received and won more recognitions and awards during the Reporting Period. Certain honors include:

- Forbes Asia's Best Under A Billion 2020;

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

- 2020 Top Graduate Employers Award in China (「中國大學生喜愛僱主」) from The Top Graduate Employers, co-launched by 51job.com, the leading integrated human resources service provider in China, and yingjiesheng.com, the leading online job search portal for college users in China; this award was granted for the Group's systematic plans to attract and train talent and enormous efforts to create a good working environment for employees to gain respect, passion and rapid personal development;

- Most Honored Company and Best ESG awards by Institutional Investor, an international financial publication, which affirms the Group's high-performing leadership team, investor relations management, and dedication to ESG practices;

- Golden Hong Kong Stock, Best Investor Relationship (IR) and Best Public Relationship (PR) awards from 2019 Golden Hong Kong Stock Awards (智通財經和同花順「金港股大獎」、「最佳投資者關係獎」及「最佳公共關係獎」);

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

- Best Corporate Governance Awards 2020 from Hong Kong Institute of Certified Public Accountants.

Investors Relations

The Group prioritizes its efforts to maintain effective communication with shareholders and investors to sustain high corporate transparency. The Group has taken a multichannel approach to ensure that the shareholders and investors have timely access to the Group's key business imperatives. These communication tools include announcements, press releases, general meetings, interim and annual reports and a company-sponsored Investor Day, etc.

The Group promptly and proactively responded to the impact brought by the COVID-19 pandemic by instituting more web-based communication, such as live broadcasting and teleconferences for the annual and interim results announcements, Investor Day and investor meetings. To promote effective communication, the Group has also participated in several investment forums and road shows to maintain ongoing communication with investors and shareholders globally. In addition, due to the continued impact of the COVID-19 pandemic on a global scale, the Group held an additional conference call in October 2020 to make sure the shareholders and investors were kept posted of the Group's latest business developments.

Apart from participating in meetings and road shows, the Group's investors and shareholders can also get easy access to the announcements, press releases, and company presentations through the Group's website. The Group has also established a section within the Group's website for investors to make inquiries, and endeavors to ensure timely reply, thus further facilitating a high degree of transparency.

The Group always places a high value on investors' feedback. Thus, a survey was conducted during the Reporting Period to hear back from shareholders and investors. This can help the Group better summarize its past efforts and further improve investor relations initiatives in the future.

Through the above efforts, within the Reporting Period, the Group has been well recognized by the capital market. The Group has been included in Hang Seng Index in September 2020, marking another great milestone since its listing in 2017. Furthermore, the Group has won several awards during the Reporting Period, please refer to the section headed "**Company Awards**".

Index Inclusion

- Hang Seng Index
- Hang Seng HK 35 Index
- Hang Seng Composite Index
- Hang Seng Composite LargeCap & MidCap Index
- Hang Seng Composite LargeCap Index
- Hang Seng Hong Kong-Listed Biotech Index
- Hang Seng Healthcare Index
- Hang Seng SCHK HK Companies Index
- Hang Seng SCHK ex-AH Companies Index
- Hang Seng Stock Connect Hong Kong Index
- Loncar China BioPharma Index
- MSCI China Index

Future Outlook

The COVID-19 outbreak impacted the global economic, geopolitical and technological landscape. Even though COVID-19 vaccines were developed and brought to market sooner than expected, the world's economic output was reported to be substantially lower than it would have been otherwise.

Management Discussion and Analysis

The COVID-19 pandemic has not just brought about the need for change, it also points the way forward — innovation. During this period, technology innovation has not only connected work, families and businesses like never before, but also resulted in cutting-edge healthcare solutions. In particular, the biologics community quickly mobilized to develop vaccines for COVID-19 and made enormous strides in record time. Currently, several vaccines have been approved for use by national authorities and more than 150 candidates are at various stages of development. Biologics outsourcing, benefiting from its inherent flexibility and capacity advantages, is being viewed as indispensable to accommodate these emerging COVID-19 vaccine projects in such a short time frame.

In addition to supporting the demand for COVID-19 vaccines, biologics outsourcing has a more sustained benefit. As the biologics are encountering ever-increasing complexities, cutting-edge technologies, extensive expertise, experience and massive capital expenditure are essential to develop innovative biologics. However, it is not only costly, but also risky for pharmaceutical companies to establish sophisticated in-house infrastructure of advanced biologics, even for big pharmaceutical companies. The biologics industry is more comfortable with the business model that outsources certain or all discovery, development and manufacturing functions to experienced CDMOs, especially single-source CDMOs, for the most optimal use of both sides' know-how, resources and infrastructure. Biologics outsourcing becomes necessary for small and medium-sized biotech companies entering the market as they lack their own internal capability and capacity. Increased pressures on big pharmaceutical companies to roll out products, reduce costs and diversify supply chains may also lead them to outsource to experienced CDMOs. At the same time, through continuous expansion of their own service chains, CDMOs gradually participate in the end-to-end industry supply chain model by developing long-term and in-depth strategic partnerships with clients. This enhances client loyalty and satisfaction and also helps clients improve efficiency, control costs and reduce asset burdens.

From startups to multinational companies, the biologics industry constantly seeks agile, reliable and qualified partners to meet the increasing demand for drug substances, drug products and, ideally, integrated supply services. The demand for CDMO support will endure. Biopharma companies expect to outsource more. The global biologics CDMO market is expected to reach US$16.9 billion by 2025, registering a CAGR of 11.2% during 2020 to 2025.

In recent years, China has gradually become a hub for biologics CDMOs. China has also become the world's second-largest biologics industry following the U.S. due to the emergence of some 140 new biotechnology firms in the past decade. Together with various regulation and policy reforms, China's biologics boom has been unleashed. The mode of consistency assessment and bulk purchase is forcing Chinese pharmaceutical enterprises to innovate, and China-based pharmaceutical enterprises will better survive if they continuously increase investment in research and development and develop innovative drugs with real clinical value. In addition, the introduction of major regulatory reforms that include the revision of its Drug Administration Law, the new Vaccine Administration Law, the MAH system and a number of policies encouraging innovation, such as clinical trial notification and self-reporting of clinical trial sites, the priority review, patent compensation system given to novel drugs, and data protection of drug trials have driven China's biologics industry to evolve from a fast follower to a true innovator. China's biologics CDMO industry will therefore continue to thrive in the coming years.

The Group will continue to maintain its leading role by investing in cutting-edge technology platforms and state-of-the-art infrastructure. With ever-evolving capabilities and capacity — including but not limited to the world-class ADC center, bispecific antibody technology platform WuXiBody®, "Factory of the Future" and the integrated vaccines manufacturing facility in Ireland — the Group will obtain more business opportunities and boost its milestones and revenue streams by attracting more clients and introducing more biologics into its pipeline.

History tells us that humankind often ends up in a better place. Looking further ahead, we take a more sanguine view even in the face of challenges posed by the COVID-19 pandemic. Using our most comprehensive capabilities and technology platforms, we will strive to support the global biologics community as we continue to work towards the development of new drugs and vaccines. We are confident that our efforts and dedication will enable our clients and partners to benefit patients worldwide.

Financial Review

Revenue

The revenue of the Group increased by 40.9% from approximately RMB3,983.7 million for the year ended December 31, 2019 to approximately RMB5,612.4 million for the year ended December 31, 2020. Such increase was mainly attributed to (i) leading technology platform, best-in-industry timeline and excellent execution track record contributing to significantly higher market share of new integrated projects; (ii) successful launch of "Win-the-Molecule" strategy adding considerable late-stage pipeline and near-term revenue; (iii) acceleration and efficient execution of more COVID-19 projects to support and enable the Group's global customers in the second half of 2020; and (iv) strong growth of milestone revenue generated from the Group's various technology platforms.

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

	Year ended December 31,			
	2020		2019	
Revenue	**RMB million**	**%**	RMB million	%
— North America	**2,479.2**	**44.2%**	2,137.5	53.7%
— PRC	**2,464.1**	**43.9%**	1,407.6	35.3%
— Europe	**446.6**	**8.0%**	311.5	7.8%
— Rest of the world *(Note)*	**222.5**	**3.9%**	127.1	3.2%
Total	**5,612.4**	**100.0%**	3,983.7	100.0%

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

For the year ended December 31, 2020, the pre-IND services revenue of the Group increased by 54.8% to approximately RMB2,800.3 million, accounting for 49.9% of the total revenue. On the other hand, the post-IND services revenue of the Group increased by 26.6% to approximately RMB2,724.8 million, accounting for 48.5% of the total revenue, as a result of more projects progressing from pre-IND stage to subsequent stages such as early-phase and late-phase stages.

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

	Year ended December 31,			
	2020		2019	
	RMB million	**%**	RMB million	%
Pre-IND services	**2,800.3**	**49.9%**	1,808.4	45.4%
Post-IND services	**2,724.8**	**48.5%**	2,152.0	54.0%
Others *(Note)*	**87.3**	**1.6%**	23.3	0.6%
Total	**5,612.4**	**100.0%**	3,983.7	100.0%

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

The top 5 customers' revenue increased by 34.2% from approximately RMB1,255.7 million for the year ended December 31, 2019 to approximately RMB1,684.7 million for the year ended December 31, 2020, accounting for 30.0% of total revenue for the year ended December 31, 2020, as compared to 31.5% for the year ended December 31, 2019.

The top 10 customers' revenue increased by 17.7% from approximately RMB1,976.3 million for the year ended December 31, 2019 to approximately RMB2,326.9 million for the year ended December 31, 2020, accounting for 41.5% of total revenue for the year ended December 31, 2020, as compared to 49.6% for the year ended December 31, 2019.

Cost of Sales and Services

The cost of sales and services of the Group increased by 32.5% from approximately RMB2,324.9 million for the year ended December 31, 2019 to approximately RMB3,079.4 million for the year ended December 31, 2020. The increase of the cost of sales and services was in line with the Group's business and revenue growth.

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

Gross Profit and Gross Profit Margin

The gross profit of the Group increased by 52.7% from approximately RMB1,658.8 million for the year ended December 31, 2019 to approximately RMB2,533.0 million for the year ended December 31, 2020. The Group's gross profit margin increased from 41.6% for the year ended December 31, 2019 to 45.1% for the year ended December 31, 2020. The increase in the gross profit margin was primarily attributable to (i) the Group's robust increase in the number of integrated projects; (ii) significant improvement in capacity utilization of our existing manufacture facilities which enabled delivery of more production batches; (iii) continuous operational efficiency enhancement in development business which minimized leading time and enabled delivery of more pre-IND projects under severe time stress; (iv) strong growth of milestone revenue with higher gross margin generated from projects progressed along the value chain and more out-license new projects; and (v) partially offset by ramp-up of new facilities.

Other Income

The other income of the Group mainly consists of government grants and interest income from banks and other financial assets at amortized cost. The other income of the Group increased by 22.3% from approximately RMB179.9 million for the year ended December 31, 2019 to approximately RMB220.1 million for the year ended December 31, 2020, primarily due to both increases in government grants and interest income.

Impairment Losses, Net of Reversal

Impairment losses, net of reversal of the Group represent loss allowances on the Group's financial assets (including trade and other receivables and contract assets). Given the adverse impact of the COVID-19 pandemic on the global economy, the Group has experienced longer collecting cycles from some of its customers. During 2020, the revenue derived from the customers headquartered in China increased sharply by 75.1%, as compared to the revenue increase of 16.0% from the customers headquartered in North America. Due to longer historical collection cycles of the customers headquartered in China, the Group has conservatively recorded approximately RMB121.1 million impairment losses for the year of 2020, as compared to approximately RMB6.8 million for the year of 2019. To mitigate the risks from receivables collection, the Group has implemented stringent controls over its down-payment requirements, enhanced due-diligence procedure on new customers and involved top management's efforts on overdue receivables. The Group will continuously monitor and manage the collection of trade receivables by various means.

Other Gains and Losses

The other gains and losses of the Group primarily include gains or losses from foreign exchange revaluation and derivative financial instruments, fair value change on financial assets at fair value through profit or loss ("FVTPL"), investment income, etc. The net other gains of the Group increased by 1,218.1% from approximately RMB21.5 million for the year ended December 31, 2019 to approximately RMB283.4 million for the year ended December 31, 2020, primarily due to an increase in fair value gain on investments in listed equity securities amounting to approximately RMB341.6 million, which was partially offset by the foreign exchange loss amounting to approximately RMB91.3 million (for the year ended December 31, 2019: foreign exchange gain amounting to approximately RMB8.1 million), generated from revaluation of the foreign currencies denominated assets and liabilities of the Group, mainly as USD has been depreciated sharply against RMB during the year of 2020.

Selling and Marketing Expenses

The selling and marketing expenses of the Group increased by 22.4% from approximately RMB77.1 million for the year ended December 31, 2019 to approximately RMB94.4 million for the year ended December 31, 2020, mainly due to (i) our continuous efforts to enhance the capability of the Group's business development to keep dominant in the growing global market; and (ii) the amortization of customer relationship in intangible assets, which was generated from acquisition of U-Pure and BestChrom in the second half of 2019. As a result of strict control over expenses, the proportion of the selling and marketing expenses to the Group's total revenue decreased to 1.7% for the year ended December 31, 2020, as compared to 1.9% for the year ended December 31, 2019.

Administrative Expenses

The Group's administrative expenses increased by 39.2% from approximately RMB367.3 million for the year ended December 31, 2019 to approximately RMB511.4 million for the year ended December 31, 2020, primarily due to (i) an increase in staff related costs and administrative expenses to support the set-up of new sites in the U.S. and Europe and the Group's expansion into new business such as vaccines, ADC production, viral and microbial; and (ii) an increase in investment of IT infrastructure to strengthen the Group's corporate infrastructures.

Research and Development Expenses

The research and development expenses of the Group increased by 16.9% from approximately RMB259.7 million for the year ended December 31, 2019 to approximately RMB303.7 million for the year ended December 31, 2020, as a result of our continuous investment in innovation and technologies to enhance the Group's core competitiveness in the evolving industry.

Finance Costs

The finance costs of the Group mainly include interest expense on lease liabilities, interest expense on bank borrowings and interest expense on financing component of advance received from a customer. The finance costs of the Group increased by 117.9% from approximately RMB19.6 million for the year ended December 31, 2019 to approximately RMB42.7 million for the year ended December 31, 2020, mainly due to (i) an increase of interest expense on bank borrowings, since the Group has utilized the bank loans as financing measures from the second half of 2019; (ii) an increase of interest expense on lease liabilities, since more new lease agreements have been entered into, in line with the Group's business expansion around the world; and (iii) interest expense newly generated from financing component of advance received which was presented as non-current contract liabilities.

Income Tax Expense

The income tax expense of the Group increased by 134.8% from approximately RMB116.3 million for the year ended December 31, 2019 to approximately RMB273.1 million for the year ended December 31, 2020, in line with the profit growth of the Group. The effective income tax rate increased from approximately 10.3% for the year ended December 31, 2019 to approximately 13.9% for the year ended December 31, 2020, along with an increase in profit before tax.

Net Profit and Net Profit Margin

As a result of the foregoings, the net profit of the Group increased by 67.5% from approximately RMB1,010.3 million for the year ended December 31, 2019 to approximately RMB1,692.7 million for the year ended December 31, 2020. The net profit margin of the Group for the year ended December 31, 2020 was 30.2%, as compared to 25.4% for the year ended December 31, 2019. The increase in net profit margin was primarily due to (i) the Group's robust increase in the number of integrated projects and as a result, strong growth in revenue; (ii) continuously improved capacity utilization and operating efficiency leading to the growth in gross profit; and (iii) growing gains from investments in listed equity securities, which was partially offset by the increase in impairment losses on the Group's financial assets.

The profit attributable to owners of the Company increased by 66.6% from approximately RMB1,013.8 million for the year ended December 31, 2019 to approximately RMB1,688.9 million for the year ended December 31, 2020. The margin of profit attributable to owners of the Company increased from 25.4% for the year ended December 31, 2019 to 30.1% for the year ended December 31, 2020. These increases followed the same set of reasons as discussed above.

Basic and Diluted Earnings Per Share

The basic earnings per share of the Group increased by 59.3% from RMB0.27[1] for the year ended December 31, 2019 to RMB0.43 for the year ended December 31, 2020. The diluted earnings per share of the Group increased by 60.0% from RMB0.25[1] for the year ended December 31, 2019 to RMB0.40 for the year ended December 31, 2020. The increase in the basic and diluted earnings per share was primarily due to the increase in net profit resulted from strong business growth of the Group as discussed above.

Property, Plant and Equipment

The balance of the property, plant and equipment of the Group increased by 89.3% from approximately RMB6,338.5 million as at December 31, 2019 to approximately RMB11,996.2 million as at December 31, 2020, primarily as a result of (i) on-going facility construction in various sites of the Group, mainly including Ireland sites; and (ii) the asset acquisition of drug product manufacturing facility in Germany, all following the Group's "Global Dual Sourcing within WuXi Bio" manufacturing paradigm.

Right-of-Use Assets

The balance of the right-of-use assets of the Group increased by 90.9% from approximately RMB457.9 million as at December 31, 2019 to approximately RMB874.2 million as at December 31, 2020, primarily due to the commencement of some new lease agreements during the Reporting Period, especially in Germany and U.S., in line with the Group's business expansion.

Investment in an Associate/Share of Profit (Loss) of an Associate

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

The balance of investment in Duoning increased by 506.8% from approximately RMB30.9 million as at December 31, 2019 to approximately RMB187.5 million as at December 31, 2020. The increase was mainly due to additional investment amounting to approximately RMB154.5 million in December 2020, and as a result, the proportion of equity interest held by the Group in Duoning increased from 8.13% as at December 31, 2019 to 15.86% as at December 31, 2020.

In December 2020, the Group entered into a lending agreement of RMB50.0 million with Duoning. As at December 31, 2020, the balance due from Duoning was presented in trade and other receivables. The principal and interest was fully collected by the Group in January 2021.

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

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

The financial assets at FVTPL of the Group mainly included investments in wealth management products purchased from several banks, listed equity securities and unlisted investments. The aggregated balances of the financial assets at FVTPL in the current assets and non-current assets of the Group increased by 137.1% from approximately RMB367.5 million as at December 31, 2019 to approximately RMB871.3 million as at December 31, 2020, mainly due to (i) fair value gain on investments of listed equity securities and unlisted investments, amounting to approximately RMB344.6 million; and (ii) new and further investments in a wide variety of companies in life science and healthcare industry to support the sustainable growth of the Group.

Inventories

The inventories of the Group increased by 171.5% from approximately RMB399.4 million as at December 31, 2019 to approximately RMB1,084.2 million as at December 31, 2020, mainly due to (i) more inventory stock held in various sites, along with the Group's business growth and premises expansion; and (ii) more raw materials imported and reserved in advance to tackle with the inconvenience of procurement and transportation of raw materials because of the COVID-19 pandemic.

Contract Costs

The contract costs of the Group increased by 38.0% from approximately RMB284.2 million as at December 31, 2019 to approximately RMB392.1 million as at December 31, 2020, mainly in line with the increment of on-going projects. The slower increasing trend as compared to the revenue growth was mainly due to the effective control on labor cost and overhead which optimized the production cost flow into contract cost, coupled with the better utilization of MFG capacity, which has lightened the burden of fixed cost of each batch and improved the turnover in the contract cost.

Trade and Other Receivables

The trade and other receivables of the Group increased by 86.7% from approximately RMB1,736.7 million as at December 31, 2019 to approximately RMB3,241.9 million as at December 31, 2020, primarily due to (i) an increase in trade receivables amounting to approximately RMB998.1 million, as a result of revenue growth coupled with slightly longer collection cycle because of the COVID-19 pandemic; and (ii) an increase in receivables for purchase of raw materials on behalf of customers amounting to approximately RMB230.0 million, in line with the increment of integrated projects. The Group has actively monitored and managed the collection of trade receivables by various means. Please refer to the section headed "Impairment Losses, Net of Reversal" in the report for more details.

Contract Assets

The contract assets of the Group decreased by 39.8% from approximately RMB40.0 million as at December 31, 2019 to approximately RMB24.1 million as at December 31, 2020, mainly due to that more projects have achieved the milestones stipulated in the contracts and have been reclassified to trade receivables accordingly.

Trade and Other Payables

The trade and other payables of the Group increased by 48.0% from approximately RMB1,843.7 million as at December 31, 2019 to approximately RMB2,728.5 million as at December 31, 2020, primarily due to (i) an increase in trade payables of approximately RMB460.2 million, in line with the increment of raw material reserve; (ii) an increase in salary and bonus payables of approximately RMB244.0 million, in line with the workforce growth of the Group; and (iii) an increase in payable for additional investment in Duoning in December 2020, amounting to approximately RMB154.5 million, which was partially offset by reclassification of advance received from a vaccine partner amounting to approximately RMB390.1 million to the contract liabilities.

Contract Liabilities (Current Portion & Non-current Portion)

The contract liabilities in the current liabilities of the Group increased by 97.7% from approximately RMB336.4 million as at December 31, 2019 to approximately RMB664.9 million as at December 31, 2020, mainly due to more contracts have been entered into, as a result of the Group's robust increase in the number of integrated projects, coupled with the management's efforts on stringent requirement of down-payments, as discussed in the section headed "Impairment Losses, Net of Reversal" in this report.

The contract liabilities in the non-current liabilities of the Group represented the total instalment received from a vaccine partner (as at December 31, 2019: the first instalment received was presented in trade and other payables). In February 2020, the Group entered into the vaccine manufacturing agreement with the vaccine partner, and thus the advance received was classified as non-current contract liabilities as the related services will be provided beyond twelve months.

Lease Liabilities (Current Portion & Non-current Portion)

The aggregated lease liabilities of the Group increased by 148.5% from approximately RMB292.6 million as at December 31, 2019 to approximately RMB727.2 million as at December 31, 2020, primarily due to more plants and offices have been leased to support the Group's business expansion globally, especially in Germany and the U.S..

Liquidity and Capital Resources

The aggregated balances of bank balances and cash and time deposits of the Group increased by 34.8% from approximately RMB6,205.5 million as at December 31, 2019 to approximately RMB8,368.1 million as at December 31, 2020. The increase was mainly due to (i) the receipt of placement proceeds of approximately RMB5,545.8 million in July 2020; and (ii) cash generated from business operations, which was partially offset by the increase in payment for purchase of property, plant and equipment, along with the expansion of the Group's facility construction.

Treasury Policy

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

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

Significant Investments, Material Acquisitions and Disposals

As at December 31, 2020, there was no significant investment held by the Company, nor were any material acquisitions or disposals of subsidiaries, associates and joint ventures during the Reporting Period.

Indebtedness

Borrowings

The aggregated borrowings of the Group increased by 37.0% from approximately RMB1,901.3 million as at December 31, 2019 to approximately RMB2,604.7 million as at December 31, 2020, mainly due to that more bank facilities have been utilized to support the continuous business expansion, especially the construction activities overseas.

Of the total borrowings as at December 31, 2020, RMB denominated borrowings amounted to approximately RMB85.1 million with the effective interest rate around 4.90% per annum; USD denominated borrowings amounted to approximately RMB2,283.7 million with the effective interest rate ranging from 1.25% to 3.68% per annum; and EUR denominated borrowings amounted to approximately RMB235.9 million with the effective interest rate around 1.50% per annum, respectively.

Among all, approximately RMB767.1 million will be due within one year; approximately RMB1,770.9 million will be due in more than one year but within two years; approximately RMB27.6 million will be due in more than two years but within five years; and approximately RMB39.1 million will be due after five years.

As at December 31, 2020, RMB denominated borrowings of approximately RMB85.1 million was secured against the Group's buildings, while the security registration was in progress. The remaining borrowings were unsecured.

Contingent Liabilities and Guarantees

As at December 31, 2020, the Group did not have any material contingent liabilities or guarantees.

Charges of Assets

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

Also, as at December 31, 2020, the buildings with carrying amounts of approximately RMB42.1 million has been pledged for RMB denominated borrowing of approximately RMB85.1 million in China.

Gearing Ratio

Gearing ratio is calculated using interest-bearing borrowings divided by total equity and multiplied by 100%. Gearing ratio decreased from 14.7% as at December 31, 2019 to 12.5% as at December 31, 2020, mainly due to the increase of reserves, as a result of net profit reported during the Reporting Period.

Non-IFRS Measures

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

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

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

Adjusted Net Profit

	Year ended December 31,	
	2020	2019
	RMB million	RMB million
Net Profit	**1,692.7**	1,010.3
Add: Share-based compensation expense	**276.4**	202.7
Add: Foreign exchange loss (gain)	**91.3**	(8.1)
Less: Gains on fair value change of listed equity securities and unlisted investments at FVTPL	**(344.6)**	(3.5)
Adjusted Net Profit *(Note i and ii)*	**1,715.8**	1,201.4
Adjusted Net Profit Margin	***30.6%***	*30.2%*
Adjusted Net Profit Attributable to Owners of the Company	**1,722.0**	1,204.9
	RMB	RMB *(Note iii)*
Adjusted Earnings Per Share		
— Basic	**0.44**	0.32
— Diluted	**0.41**	0.30

Notes:

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

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

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

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

ii. The adjusted net profit for the year ended December 31, 2019 disclosed herein is recalculated based on the calculation formula stated in Note i. The adjusted net profit, adjusted net profit attributable to owners of the Company and adjusted EBITDA disclosed in 2019 annual report of the Company was RMB1,205.0 million, RMB1,208.4 million and RMB1,671.1 million respectively, calculated by excluding a) share-based compensation expense; and b) foreign exchange gain.

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

EBITDA and Adjusted EBITDA

	Year ended December 31,	
	2020	2019
	RMB million	RMB million
Net Profit	**1,692.7**	1,010.3
Add: Income tax expense	**273.1**	116.3
Interest expense	**42.7**	19.6
Depreciation	**400.4**	309.4
Amortization	**32.0**	20.8
EBITDA	**2,440.9**	1,476.4
EBITDA Margin	***43.5%***	*37.1%*
Add Share-based compensation expense	**276.4**	202.7
Add: Foreign exchange loss (gain)	**91.3**	(8.1)
Less: Gains on fair value change of listed equity securities and unlisted investments at FVTPL	**(344.6)**	(3.5)
Adjusted EBITDA *(Note i and ii)*	**2,464.0**	1,667.5
Adjusted EBITDA Margin	***43.9%***	*41.9%*

Employees and Remuneration Policies

As at December 31, 2020, the Group employed a workforce totaling 6,646 employees. The staff costs, including Directors' emoluments but excluding any contributions to (i) retirement benefits scheme contributions; and (ii) share-based payment expenses, were approximately RMB1,787.7 million for the year ended December 31, 2020, as compared to approximately RMB1,078.8 million for the year ended December 31, 2019. The remuneration package of employees generally includes salary and bonus elements.

In general, the Group determines the remuneration package based on the qualifications, position and performance of its employees. The Group also makes contributions to the social insurance fund, including basic pension insurance, medical insurance, unemployment insurance, childbirth insurance, work-related injury insurance funds, and housing reserve fund as applicable to the countries where the Group operates.

The Group has adopted the Pre-IPO Share Option Scheme and the Restricted Share Award Scheme to provide incentive or reward to eligible participants for their contribution or potential contribution to the Group. Details of the Pre-IPO Share Option Scheme and the Restricted Share Award Scheme are set out on pages 57 to 60 and note 41 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 emoluments of the Directors and senior management.

KEY EVENTS AFTER THE REPORTING PERIOD

The Group has the following events taken place subsequent to December 31, 2020:

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

- On February 2, 2021, the Company and Placing Agent entered into the Primary Placing Agreement pursuant to which the Placing Agent agreed to place 118,000,000 Primary Placing Shares (or, failing which, to purchase itself as principal) on a fully underwritten basis to not less than six independent investors at a price of HK$112.00 per share. The closing date is February 10, 2021 and net proceeds is approximately HK$13,121.24 million.

- On March 17, 2021, the Group entered into an equity agreement with Pfizer China to acquire its state-of-the-art biologics manufacturing facilities as well as its labor force in Hangzhou, China. The transaction is expected to close in the first half of 2021, which will immediately boost the commercial DS and DP capacities for the Group to address surging manufacturing demands.

- On March 18, 2021, the Group entered into a security purchase agreement with CBC Group, a healthcare-dedicated investment firm, and other companies including Ming Bioventures under which the Group will acquire over 90% interest of CMAB Biopharma Group ("**CMAB**"), a Contract Development and Manufacturing Organization (CDMO) based in Suzhou, China. The transaction is expected to close in the second quarter of 2021. Upon transaction completion, the Group will increase 7,000L DS capacity (**MFG21**) and DP capacity for liquid and lyophilization within its global manufacturing network.

DIRECTORS

Executive Directors

Dr. Zhisheng Chen (陳智勝), aged 48, was appointed as an executive Director and chief executive officer in February 2014 and January 2016, respectively. 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. In November 2018, Dr. Chen was appointed by International Society for Pharmaceutical Engineering (ISPE) to serve on the International Board of Directors.

Dr. Weichang Zhou (周偉昌), aged 57, was appointed as an executive Director, chief technology officer and executive vice president in May 2016, November 2016 and October 2019, 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 leading biologics development and manufacturing functions. Prior to joining the Group, Dr. Zhou served as a senior director of Genzyme Corporation (now part of Sanofi) 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, 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 Ph.D. degree in Chemical Engineering from the University of Hannover in 1989 and conducted postdoctoral research at the German Association of Chemical Engineering and Biotechnology, Swiss Federal Institute of Technology Zurich, and the University of Minnesota.

Non-executive Directors

Dr. Ge Li (李革), aged 54, was appointed as the chairman and non-executive Director in February 2014. 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. Dr. Li has been serving as the chairman and the chief executive officer since December 2000 of WuXi AppTec, a company dual-listed on Shanghai Stock Exchange (上海證券交易所) (stock code: 603259) and the Main Board of the Stock Exchange (stock code: 2359), and has been responsible for the overall management of its business, strategy and corporate development. From August 2007 to December 2015, Dr. Li served as the chairman and the chief executive officer of WuXi PharmaTech. 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 58, Mr. Hu was appointed as a non-executive Director in February 2014. 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 the overall business and management of its group. Mr. Hu joined WuXi AppTec in August 2007 and has served as the company's Vice Chairman to the Board and Global Chief Investment Officer since May 21, 2020. He previously served as the company's Chief Financial Officer, Chief Investment Officer, Chief Operating Officer and Co-Chief Executive Officer. From May 2018 to March 2021, Mr. Hu served as a director of Viela Bio Inc., a company listed on NASDAQ (stock code: VIE) since October 2019. 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, now 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 degree in business administration from Carnegie Mellon University in the United States in May 1993 and May 1996, respectively.

Mr. Yibing Wu (吳亦兵), aged 53, was appointed as a non-executive Director in May 2016. He joined the Group in May 2016. Prior to joining the Group, Mr. Wu has been serving as a director of WuXi AppTec since March 2016. Since November 2015, Mr. Wu has been serving as a director of Summer Bloom Investments Pte. Ltd. Since October 2013, Mr. Wu has been working with Temasek International Pte. Ltd. and is currently the joint head of Enterprise Development Group and the 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 of the Stock Exchange (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 37, was appointed as 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 Co. Limited since March 2011 and currently serves as a partner, mainly responsible for investments 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. In addition, Mr. Cao served as a director of CStone Pharmaceuticals (基石藥業), a company listed on the Main Board of the Stock Exchange (stock code: 2616), from April 2016 to March 2017 and has been re-designated as a non-executive director since May 2019. From June 2019 to March 2021, Mr. Cao served as a director and then a non-executive director of Hygeia Healthcare Holdings Co., Limited (海吉亞醫療控股有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 6078). Mr. Cao has been serving as a non-executive director of Ocumension Therapeutics (歐康維視生物), a company listed on the Main Board of the Stock Exchange (stock code: 1477), since June 2019. Mr. Cao has also been serving as a non-executive director of Viela Bio Inc., a company listed on NASDAQ (stock code: VIE), since February 2018. Mr. Cao has been serving as a director of Antengene Corporation Limited (德琪醫藥有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 6996), since February 2019 and has been re-designated as a non-executive director on August 2020. Mr. Cao has been serving as an independent non-executive director of JW (Cayman) Therapeutics Co. Ltd (藥明巨諾(開曼)有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 2126), since May 2020. Mr. Cao obtained a bachelor's degree in economics and mathematics from Middlebury College in the United States in June 2006.

Independent Non-Executive Directors

Mr. William Robert Keller, aged 73, was appointed as an independent non-executive Director on May 17, 2017. He joined the Group in May 2017. From December 2010 to November 2020, he served as the chairman of Coland Pharmaceutical Co., Ltd. (康聯藥業有限公司), a company previously listed on Taiwan Stock Exchange (stock code: 4144), and was 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. Since September 14, 2018, Mr. Keller has been serving as an independent non-executive director of Hua Medicine (華領醫藥), a company listed on the Main Board of the Stock Exchange (stock code: 2552) ("**Hua Medicine**"). Mr. Keller has been serving as a director of Cathay Biotech Inc. (上海凱賽生物技術股份有限公司), a company listed on Shanghai STAR Market (stock code: 688065) in August 2020. 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 68, as an independent non-executive Director on May 17, 2017. He 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 dual-listed on NYSE (stock code: BABA) and the Main Board of the Stock Exchange (stock code: 9988) since September 2014. Since September 2018, Mr. Kwauk served as an independent non-executive director of Hua Medicine, responsible for supervising and providing independent judgment to the board of the company. 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 of the Stock Exchange (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 of the Stock Exchange (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. Kenneth Walton Hitchner III, aged 61, was appointed as an independent non-executive Director on June 9, 2020. He has more than 30 years of experience in corporate finance. He served as the Chairman and Chief Executive Officer of The Goldman Sachs Group, Inc. in Asia Pacific Ex-Japan before his retirement in 2019. He was also a member of Goldman Sachs' Management Committee and co-chaired its Asia Pacific Management Committee. Previously, Mr. Hitchner served as President of Goldman Sachs in Asia Pacific Ex-Japan from 2013 to 2017. Prior to relocating to Hong Kong, he was global head of Goldman Sachs' Healthcare Banking Group and global co-head of its Technology, Media and Telecom Group. He was named managing director in 2000 and partner in 2002. He became head of the global medical device banking practice in 1998 and head of the global pharmaceutical banking practice in 2001. He began his career with Goldman Sachs' Corporate Finance Department in 1991. Mr. Hitchner has been serving as a director of the alternative investment management firm Elements Advisors SPV since May 2020. Mr. Hitchner has also been serving as a senior advisor to a leading global life sciences investor Valiance Asset Management since November 2020. He has joined Global Advisory Board of the global early-stage venture capitalist Antler since January 2021. He has also been serving as a senior advisor of WuXi AppTec since February 2020. Mr. Hitchner has been serving as an independent non-executive director of Provident Acquisition Corp., a company listed on NASDAQ (stock code: PAQC), since January 7, 2021. Mr. Hitchner has also been serving as the chairman of the board of HH&L Acquisition Co., a company listed on the New York Stock Exchange (stock code: HHLA), since February 11, 2021. Mr. Hitchner obtained a bachelor's degree in arts from the University of Colorado in 1982 and a master's degree in business administration (MBA) as a merit fellow from Columbia University Business School in 1992.

Directors and Senior Management

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 52, is Chief Financial Officer (CFO) of WuXi Biologics. Serving in this role since January 2016, Ms. Lu-Wong is primarily responsible for the Group's overall financial operation and management, capital market management, and merger and acquisition activities of the Group.

Prior to joining the Group, Ms. Lu-Wong served as CFO of Xueda Education Group, previously listed on the New York Stock Exchange (stock code:XUE), from 2012 to 2015, where she led the privatization of the company. She previously served as the CFO of HiSoft (later Pactera) Technology International Ltd., listed on NASDAQ (stock code: HSFT/PACT), primarily engaged in IT consulting and technology services, from 2010 to 2012. In this role, Ms. Lu-Wong was responsible for the IPO, mergers and acquisitions, and overall financial management of the company. From 2007 to 2009, Ms. Lu-Wong served as Vice President of Finance of WuXi PharmaTech, where she oversaw the financial operation of the company. Prior to joining WuXi PharmaTech, Ms. Lu-Wong worked for 13 years in the United States in financial management capacities at Fortune 500 enterprises such as Google, Oracle, HP and PricewaterhouseCoopers LLP.

Ms. Lu-Wong obtained her bachelor's degree in foreign trade and economics from Guangdong University of Foreign Studies, and a Master in Business Administration with a focus in accounting from Golden Gate University, San Francisco. Ms. Lu-Wong received her certificate of public accountant (CPA) in California.

Dr. Jijie Gu (顧繼傑), aged 55, serves as Executive Vice President and Chief Scientific Officer of WuXi Biologics. Dr. Gu brings more than 20 years of experience to the firm, including 18 years of target discovery, drug discovery and the building and management of several functional areas. He also has significant expertise in therapeutic design, antibody generation, protein engineering, biologic drug discovery, and preclinical and early clinical development.

Prior to joining WuXi Biologics, Dr. Gu served as a function head at AbbVie Cambridge Research Center, where he led target validation and lead discovery in AbbVie Immunology for both small and large molecule drugs. Before that, he was a function head of Oncology Biologics in Global Biologics at AbbVie Bioresearch Center.

While at Abbott/AbbVie, Dr. Gu made critical contributions to building antibody platform technologies. He led the construction of novel biologics platform technologies, including Fc engineering, ADC technology, TCR technology, bispecific and multispecific antibody technologies and T cell engagers, and led projects in multiple therapeutic areas relating to oncology, immunology, immuno-oncology, metabolic disease, neuroscience and ophthalmology. He contributed broadly to AbbVie Biologics portfolio and delivered several New Biological Entities (NBEs) into clinical development.

Throughout his extensive career, Dr. Gu has co-invented more than 20 filed and issued U.S. patents and has coauthored 40 publications. He currently serves on the editorial boards of the peer-reviewed journals mAbs and Antibody Therapeutics.

Dr. Gu obtained his Ph.D. in Molecular Biology and Biochemistry from Peking Union Medical School. He received postdoctoral training in Tumor Immunology at the Dana Farber Cancer Institute, a principal teaching affiliate of Harvard Medical School, and in Cancer Cell Biology at the Harvard School of Public Health.

Mr. Jian Dong (董健), aged 57, joined WuXi Biologics in 2014 and has since been named Senior Vice President of Global Biomanufacturing. In this role, he oversees global clinical and commercial biologics manufacturing and new facility development.

Mr. Dong has over 30 years' experience in bio-pharmaceutical production and process development. He has extensive experience managing the design, construction, qualification and operation of new current GMP (cGMP) biologics manufacturing facilities with 30,000 L bioreactor capacities.

Prior to WuXi Biologics, Mr. Dong served as Deputy Chief Engineer at Shenzhen Kangtai Biological Products, Senior Process Engineer at Eli Lilly & Co., Vice President of Manufacturing and Vice President of Quality at Shanghai Celgen and Deputy General Manager of Unilab Bioscience and Shanghai United Cell Biotechnology, the subsidiaries of UNILAB.

Mr. Dong obtained his Master's degree in Biology from Wuhan University in China and his MBA from Webster University in the United States. He was subsequently granted a Senior Pharmaceutical Engineer certification by the Personnel Department of Guangdong Province in 1996.

Dr. Jerry Xu (徐學健), aged 58, is Senior Vice President and Chief Quality Officer of WuXi Biologics. Dr. Xu joined the Group in 2011 and oversees the Company's Quality Operations, including Quality Assurance, Quality Control, Global Quality Compliance, Regulatory Affairs and the training center.

Dr. Xu has 27 years' experience in bio-pharmaceutical quality assurance, production management and drug product development. Prior to WuXi Biologics, Dr. Xu served as U.S. FDA officer, director of product development at Pharmaceutics International Inc., Senior Manager of Production Techical Services at Wyeth Pharmaceuticals, General Manager at Shanghai Fleecon Biomedical Corp, Inc. and Senior scientist at Genzyme Corporation.

Dr. Xu obtained his Ph.D. from Northeastern University in the United States, his bachelor's degree from East China University of Science and Technology.

Mr. Keqiang (Peter) Shen (沈克強), aged 57, joined the Group in 2012. He led multiple teams in Bioprocess Development and Manufacturing business unit as Senior Director, Executive Director and Vice President from 2012 to 2020. He was appointed as Senior Vice President, Head of China Biomanufacturing in 2020. In this role, he manages and oversees all the production sites' operation, development of manufacturing platform and late phase clinical and commercial biological manufacturing in China.

Mr. Shen has over 30 years' experience in biological process development, scale-up and manufacturing. Prior to joining WuXi Biologics, Mr. Shen took multiple scientific and managerial roles in Nanjing Institute of Biological Pharmaceuticals, DuPont Pharma, Bristol-Myers Squibb Co, Centocor Johnson & Johnson Co, and Laureate Biopharmaceutical Services, Inc.

Mr. Shen obtained his Bachelor's degree in Biopharmaceuticals from China Pharmaceutical University in China and Master's degree in Biology from New Mexico State University in the United States.

Dr. William Aitchison, aged 66, joined the Group in 2020 as Senior Vice President of Global Manufacturing. In this capacity he oversees all manufacturing operations outside of China.

Dr. Aitchison has over 30 years of experience in the development and manufacturing of vaccines and biopharmaceutical products. Prior to joining WuXi Biologics, Dr. Aitchison was Senior Vice President, Technical Operations for TESARO (GSK), Senior Vice President Global Manufacturing Operations at Sanofi Genzyme and Senior Vice President of Global Manufacturing Operations at Sanofi Pasteur.

Dr. Aitchison obtained his Master's degree from the University of Toronto School of Pharmacy and hi PH.D. from in Cell Biology from the University of Ottawa, Canada.

Mr. Angus Scott Marshall Turner, aged 53, is Senior Vice President of Global business development and Alliance Management at WuXi Biologics. Mr. Turner, who joined the Company in 2016, is responsible for business development, strategic alliances and partnerships.

Prior to joining WuXi Biologics, Mr. Turner served from 2010 to 2016 as Director of Sales Europe and Asia for Lonza AG, a Swiss supplier of products and services to the global pharmaceutical, healthcare and life science industries. In addition to building the sales team there, he oversaw the successful implementation of sales strategies across all technologies in the contract manufacturing business unit. Before working at Lonza AG, Mr. Turner was Director of Business Development Europe and Asia for AppTec Laboratory Services, Inc. with a focus on biopharmaceutical and medical device testing, as well as biologics-based manufacturing and related services. Upon the acquisition of AppTec Laboratory Services, Inc. by WuXi PharmaTech in 2008, Mr. Turner served as Director of International Biopharmaceutical Business Development for WuXi PharmaTech. Mr. Turner also worked for Bayer AG for several years in sales and marketing, including supporting the launch of Kogenate ® FS Antihemophilic Factor (Recombinant).

Mr. Turner obtained a bachelor's degree in biology from Stirling University, a master's degree in biotechnology from Strathclyde University and an MBA from Warwick Business School, with a scholarship to Copenhagen Business School.

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, 2020.

Principal Activities

The Group 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.

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 42 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 Highlights" on page 6 of this annual report, and "Management Discussion and Analysis" on pages 7 to 38 of this annual report. The financial risk management objectives and policies of the Group are set out in note 36 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, 2020 are set out in note 46 to the consolidated financial statements in 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 (retired on June 9, 2020)
Mr. Kenneth Walton Hitchner III (appointed on June 9, 2020)

Directors' Report

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 39 to 46 of this annual report.

Service Contracts of the Directors

Each of the Directors has entered into a three-year service contract with the Company, subject to termination before expiry 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 Individual with Highest Emoluments

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.

No Director has waived or has agreed to waive any emoluments during the year ended December 31, 2020.

Changes in information in respect of Directors

Pursuant to Rule 13.51B of the Listing Rules, the changes in Directors' information after the publication of the 2020 interim report are set out below:

- Mr. Kenneth Walton Hitchner III was appointed as an independent non-executive director of Provident Acquisition Corp., a company listed on NASDAQ (stock code: PAQC), on January 7, 2021.

- Mr. Kenneth Walton Hitchner III was appointed as the chairman of the board of HH&L Acquisition Co., a company listed on the New York Stock Exchange (stock code: HHLA), on February 11, 2021.

- On November 20, 2020, Antengene Corporation Limited (德琪醫藥有限公司) (stock code: 6996), of which Mr. Yanling Cao was re-designated as a non-executive director on August 18, 2020, was listed on the Main Board.

- On November 3, 2020, JW (Cayman) Therapeutics Co. Ltd (藥明巨諾(開曼)有限公司) (stock code: 2126), of which Mr. Yanling Cao was appointed as an independent non-executive director on May 22, 2020, was listed on the Main Board.

- On August 12, 2020, Cathay Biotech Inc. (上海凱賽生物技術股份有限公司) (stock code: 688065), of which Mr. William Robert Keller was re-designated as a director in August 2019, was listed on the Shanghai STAR Market.

- Mr. William Robert Keller ceased to be the chairman of Coland Pharmaceutical Co., Ltd. (康聯藥業有限公司), a company previously listed on Taiwan Stock Exchange (stock code: 4144), in November 2020.

- Mr. Edward Hu ceased to be a director of Viela Bio Inc., a company listed on NASDAQ (stock code: VIE), in March 2021.

Save as disclosed above, there were no changes in information which are required to be disclosed and had been disclosed by Directors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules.

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.

Directors' Interests in Competing Businesses

Saved as disclosed in this annual report, as at December 31, 2020, 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, 2020 are set out in note 40 to the consolidated financial statements. None of the related party transactions constitute "connected transactions" or "continuing connected transactions" under Chapter 14A of the Listing Rules.

Save as disclosed above, during the Reporting Period, there was no connected transaction of the Group which has to be disclosed in accordance with the Listing Rules.

Risk Management

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

Regulatory Risk

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

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

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

Interest Rate Risk

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

Credit Risk

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

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

Currency Risk

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

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

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

Data Privacy and Data Security Risk

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

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

COVID-19 Impact

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

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

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

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

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

As at December 31, 2020, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept pursuant to Section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Interests in shares or underlying shares of the Company

Name of Director	Capacity/ Nature of interest	Number of Shares[(1)(4)]	Number of underlying Shares	Aggregate interest[(1)]	Approximate percentage of shareholding interest
Dr. Ge Li	Interests of controlled corporations	945,444,633 (L)[(2) (3)]	—	945,444,633 (L)	23.15%
Dr. Zhisheng Chen	Beneficial owner and founder of a discretionary trust	9,934,254 (L)[(6)]	4,138,296 restricted shares (L)[(5)] 105,732,000 share options (L)[(7)]	119,804,550 (L)	2.93%
Mr. Edward Hu	Beneficial owner	2,137,500 (L)	13,680 restricted shares (L)[(5)]	2,151,180 (L)	0.05%
Dr. Weichang Zhou	Beneficial owner	—	827,157 restricted shares (L)[(5)] 16,089,000 share options (L)[(7)]	16,916,157 (L)	0.41%
Mr. William Robert Keller	Beneficial owner	8,472 (L)	6,840 restricted shares (L)[(5)]	15,312 (L)	0.00%
Mr. Teh-Ming Walter Kwauk	Beneficial owner	—	13,680 restricted shares (L)[(5)]	13,680 (L)	0.00%

Notes:

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

(2) Dr. Ge Li controlled (i) 21.44% of the issued share capital of Biologics Holdings and 57.71% of the voting power at its general meetings, and (ii) 100% of the issued share capital of Ge Li & Ning Zhao Family Foundation and 100% of the voting power at its general meetings. Hence, Dr. Ge Li is deemed to be interested in (i) 945,251,133 Shares held by Biologics Holdings, and (ii) 193,500 Shares held by Ge Li & Ning Zhao Family Foundation.

(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.

(4) Change in number of issued shares and the number of shares interested due to the Share Subdivision. For more details, please refer to the Company's announcements dated September 18, 2020 and November 12, 2020.

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

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

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

Save as disclosed above, as at December 31, 2020, so far as it was known to the Directors or chief executive of the Company, none of the Directors or chief executive of the Company had interests or short positions in the Shares, underlying Shares and debentures of the Company or its associated corporations as recorded in the register required to be kept, pursuant to Section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at December 31, 2020, 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	945,444,633 (L)[2]	23.15%
Dr. Ning Zhao	Interests of spouse; Interests of parties acting in concert	945,444,633 (L)[3][4]	23.15%
Mr. Zhaohui Zhang	Interests of parties acting in concert	945,444,633 (L)[4]	23.15%
Mr. Xiaozhong Liu	Interests of parties acting in concert	945,444,633 (L)[4]	23.15%
Life Science Holdings	Interests of controlled corporations	945,251,133 (L)[5]	23.14%
Life Science Limited	Interests of controlled corporations	945,251,133 (L)[5]	23.14%
WuXi PharmaTech	Interests of controlled corporations	945,251,133 (L)[5]	23.14%
Biologics Holdings	Beneficial owner	945,251,133 (L)[5]	23.14%
JPMorgan Chase & Co.	Interests of controlled corporations	393,701,886 (L)[6]	9.64%
		2,469,351 (S)[6]	0.06%
		193,178,969 (LP)[6]	4.73%
Citigroup Inc.	Interests of controlled corporations	235,976,850 (L)[7]	5.78%
		157,217 (S)[7]	0.00%
		220,049,856 (LP)[7]	5.39%
BlackRock, Inc.	Interests of controlled corporations	209,859,826 (L)	5.14%
		1,480,500 (S)	0.04%
The Capital Group Companies, Inc.	Interests of controlled corporations	275,697,894 (L)[8][9]	6.75%

Notes:

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

(2) Dr. Ge Li controlled, 21.44% of the issued share capital of Biologics Holdings and 57.71% of the voting power at its general meetings. Hence, Dr. Ge Li is deemed to be interested in 945,251,133 Shares held by Biologics Holdings.

(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) Life Science Holdings wholly owned Life Science Limited, which wholly owned WuXi PharmaTech, which in turn controlled 42.29% of the voting power at general meetings of Biologics Holdings. Biologics Holdings directly owned 945,251,133 Shares. Life Science Holdings, Life Science Limited and WuXi PharmaTech are deemed to be interested in the Shares held by Biologics Holdings.

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

No. of Shares[(1)]	Capacity
9,899,740 (L)	Interest of corporation controlled by you
2,469,351 (S)	
189,496,500 (L)	Investment manager
1,122,365 (L)	Person having a security interest in shares
4,312 (L)	Trustee
193,178,969 (L)	Approved lending agent

(7) The Shares held by Citigroup Inc. were held via different entities in the following capacities:

No. of Shares[(1)]	Capacity
4,820,000 (L)	Person having a security interest in shares
11,106,994 (L)	Interest of corporation controlled by you
157,217 (S)	
220,049,856 (L)	Approved lending agent

(8) Before the Share Subdivision, The Capital Group Companies, Inc. wholly owned Capital Research and Management Company, which wholly owned Capital Group International, Inc., which wholly owned Capital International Limited, Capital International Sàrl and Capital International, Inc., in aggregate interested in 3,156,000 Shares. Capital Research and Management Company is deemed to be interested in 3,156,000 Shares and the 88,787,257 Shares which it has direct interest in. Hence, The Capital Group Companies, Inc. is deemed to be interested in 91,899,298 Shares, which include 43,959 derivative interests. After the Share Subdivision, The Capital Group Companies, Inc. is interested in 275,697,894 Shares.

(9) Change in number of issued shares and the number of shares interested due to the Share Subdivision. For more details, please refer to the Company's announcements dated September 18, 2020 and November 12, 2020.

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 life of the Pre-IPO Share Option Scheme is 10 years from the date of adoption. As at the date of this annual report, there are no more securities available for grant under the Pre-IPO Share Option Scheme.

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

			Number of Share Options							
Category of Participants	Date of Grant	Exercise Price	Outstanding as at January 1, 2020	Granted during the Reporting Period	Exercised before Share Subdivision	Forfeited before Share Subdivision	Effect on Share Subdivision	Exercised after Share Subdivision	Forfeited after Share Subdivision	Outstanding as at December 31, 2020
Directors										
Dr. Zhisheng Chen	January 7, 2016	USD0.1667	33,700,000	–	4,300,000	–	58,800,000	–	–	88,200,000
	March 15, 2017	USD0.3400	5,844,000	–	–	–	11,688,000	–	–	17,532,000
			39,544,000	**–**	**4,300,000**	**–**	**70,488,000**	**–**	**–**	**105,732,000**
Dr. Weichang Zhou	January 7, 2016	USD0.1667	5,100,000	–	568,000	–	9,064,000	–	–	13,596,000
	March 15, 2017	USD0.3400	831,000	–	–	–	1,662,000	–	–	2,493,000
			5,931,000	**–**	**568,000**	**–**	**10,726,000**	**–**	**–**	**16,089,000**
Sub-total			**45,475,000**	**–**	**4,868,000**	**–**	**81,214,000**	**–**	**–**	**121,821,000**
Employees in aggregate										
230 employees	January 7, 2016	USD0.1667	28,420,659	–	6,387,763	27,000	44,011,792	776,588	–	65,241,100
24 employees	March 28, 2016	USD0.1667	929,700	–	177,675	–	1,504,050	2,000	–	2,254,075
102 employees	August 10, 2016	USD0.2200	3,929,769	–	668,919	94,200	6,333,300	66,750	–	9,433,200
92 employees	November 11, 2016	USD0.2633	3,560,800	–	252,800	–	6,616,000	1,415,500	–	8,508,500
321 employees	March 15, 2017	USD0.3400	10,577,400	–	1,573,000	144,300	17,720,200	304,800	–	26,275,500
74 employees	May 12, 2017	USD0.6000	2,518,700	–	389,190	12,000	4,235,020	21,000	–	6,331,530
Sub-total			**49,937,028**	**–**	**9,449,347**	**277,500**	**80,420,362**	**2,586,638**	**–**	**118,043,905**
Total			**95,412,028**	**–**	**14,317,347**	**277,500**	**161,634,362**	**2,586,638**	**–**	**239,864,905**

In respect of the share options exercised during the Reporting Period, the weighted average closing price at the date immediately before the exercise for the period from January 1, 2020 to November 15, 2020 (i.e. before Share Subdivision) was HK$141.45 and the weighted average closing price at the date immediately before the exercise for the period from November 16, 2020 to December 31, 2020 (i.e. after Share Subdivision) was HK$84.64.

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

The options granted under the Pre-IPO Share Option Scheme shall be exercisable during a period from the vesting date of the option until the expiry of 10 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 41 to the consolidated financial statements in this annual report.

Restricted Share Award Scheme

The Company has adopted the Restricted Share Award Scheme on January 15, 2018 to (i) recognize the contributions by Selected Participants; (ii) encourage, motivate and retain the Selected Participants, whose contributions are beneficial to the continual operation, development and long-term growth of the Group; and (iii) provide additional incentive for the Selected Participants to achieve performance goals, with a view to achieving the objectives of increasing the value of the Group and aligning the interests of the Selected Participants to the shareholders of the Company through ownership of Shares. The Restricted Share Award Scheme became effective on January 15, 2018. Subject to earlier termination by the Board, the Restricted Share Award Scheme shall be valid and effective for a period of 10 years from the adoption date. The maximum number of shares which can be awarded under the Restricted Share Award Scheme and to a Selected Participant are limited to 3% (i.e. 34,953,032 Shares) of the issued share capital of the Company as at the adoption date.

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

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

The table below shows details of the Restricted Shares granted under the Restricted Share Award Scheme during the Reporting Period:

		Number of Restricted Shares								
Category of Participants	**Date of Grant**	**Outstanding as at January 1, 2020**	**Granted before Share Subdivision**	**Vested before Share Subdivision**	**Forfeited before Share Subdivision**	**Effect on Share Subdivision**	**Vested after Share Subdivision**	**Forfeited after Share Subdivision**	**Outstanding as at December 31, 2020**	**Vesting Period**
Directors										
Dr. Zhisheng Chen	June 5, 2019	986,500	–	–	–	1,973,000	–	–	2,959,500	5 years
	November 12, 2020	–	392,932	–	–	785,864	–	–	1,178,796	5 years
		986,500	**392,932**	**–**	**–**	**2,758,864**	**–**	**–**	**4,138,296**	**–**
Dr. Weichang Zhou	June 5, 2019	157,840	–	–	–	315,680	–	–	473,520	5 years
	November 12, 2020	–	117,879	–	–	235,758	–	–	353,637	5 years
		157,840	**117,879**	**–**	**–**	**551,438**	**–**	**–**	**827,157**	**–**
Mr. Edward Hu	June 5, 2019	5,655	–	5,655	–	–	–	–	–	1 year
	June 9, 2020	–	4,560	–	–	9,120	–	–	13,680	1 year
		5,655	**4,560**	**5,655**	**–**	**9,120**	**–**	**–**	**13,680**	**–**
Mr. William Robert Keller	June 5, 2019	2,828	–	2,828	–	–	–	–	–	1 year
	June 9, 2020	–	2,280	–	–	4,560	–	–	6,840	1 year
		2,828	**2,280**	**2,828**	**–**	**4,560**	**–**	**–**	**6,840**	**–**
Mr. Wo Felix Fong (Retired on June 9, 2020)	June 5, 2019	5,655	–	5,655	–	–	–	–	–	1 year
Mr. Teh-Ming Walter Kwauk	June 9, 2020	–	4,560	–	–	9,120	–	–	13,680	1 year
Sub-total		**1,158,478**	**522,211**	**14,138**	**–**	**3,333,102**	**–**	**–**	**4,999,653**	
Employees in aggregate										
259 employees	January 15, 2018	2,507,660	–	501,532	317,208	3,377,840	–	–	5,066,760	5 years
540 employees	March 20, 2018	1,651,730	–	328,194	138,660	2,369,752	–	–	3,554,628	5 years
170 employees	June 13, 2018	647,437	–	128,448	100,931	836,116	–	–	1,254,174	5 years
202 employees	August 21, 2018	1,187,586	–	231,649	46,655	1,818,564	–	–	2,727,846	5 years
124 employees	November 20, 2018	883,499	–	–	69,207	1,628,584	500,951	–	1,941,925	5 years
6 employees	March 19, 2019	55,121	–	–	9,151	91,940	–	–	137,910	5 years
846 employees	June 5, 2019	3,199,179	–	–	161,251	6,075,856	–	–	9,113,784	5 years
335 employees	August 20, 2019	1,563,441	–	–	154,912	2,817,058	–	13,335	4,212,252	5 years
67 employees	November 20, 2019	535,674	–	–	94,534	882,280	–	29,472	1,293,948	5 years
383 employees	March 27, 2020	–	1,770,631	–	137,196	3,266,870	–	8,025	4,892,280	5 years
77 employees	June 9, 2020	–	633,746	–	23,492	1,220,508	–	–	1,830,762	5 years
126 employees	August 18, 2020	–	620,002	–	20,163	1,199,678	–	–	1,799,517	5 years
1391 employees	November 12, 2020	–	1,626,505	–	–	3,253,010	–	52,245	4,827,270	5 years
Sub-total		**12,231,327**	**4,650,884**	**1,189,823**	**1,273,360**	**28,838,056**	**500,951**	**103,077**	**42,653,056**	
Total		**13,389,805**	**5,173,095**	**1,203,961**	**1,273,360**	**32,171,158**	**500,951**	**103,077**	**47,652,709**	

Details of the purpose, terms and movement of the Restricted Shares granted during the Reporting Period are set out in the Company's announcements dated March 27, 2020, June 9, 2020, August 18, 2020 and November 12, 2020 and under note 41 to the consolidated financial statements in this annual report. For more details of the Restricted Share Award Scheme, please refer to the Company's announcements dated January 15, 2018 and January 18, 2018.

Major Customers and Suppliers

Major Customers

For the year ended December 31, 2020, the Group's sales to its five largest customers accounted for 30.0%, as compared to 31.5% of the Group's total revenue for the year ended December 31, 2019, and the Group's sales to the largest customer accounted for 7.2%, as compared to 9.1% of the Group's total revenue for the year ended December 31, 2019.

Major Suppliers

For the year ended December 31, 2020, the Group's five largest suppliers accounted for 65.6%, as compared to 65.7% of the Group's total purchases for the year ended December 31, 2019. The Group's single largest supplier accounted for 24.3%, as compared to 22.0% of the Group's total purchases for the year ended December 31, 2019.

During the year ended December 31, 2020, 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.

Relationship with Employees, Suppliers and Customers

The Group recognises that employees, suppliers and customers are key to the Group's success. The Group actively maintains a good relationship with employees, suppliers and customers. There was no material and significant dispute between the Group and its employees, suppliers and/or customers during the Reporting Period.

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. The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group during the year ended December 31, 2020, which is still in force.

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 91 of this annual report. The Board does not recommended any payment of final dividend for the year ended December 31, 2020.

Share Capital

Details of movements in share capital of the Company during the Reporting Period are set out in note 34 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 44 to the consolidated financial statements in this annual report.

Details of the Company's reserves available for distribution to the Shareholders as at December 31, 2020 are set out in note 44 to the consolidated financial statements in this annual report.

Donations

During the Reporting Period, charitable and other donations made by the Group amounted to RMB2,293,000 (2019: RMB150,000).

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

Use of Proceeds from Placing

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

The net proceeds from the First Placing were approximately RMB3,186.7 million, which have been used for the future expansion of the Group, including the capital requirements to increase its laboratory and manufacturing capacity, as disclosed in the announcement of the Company dated March 22, 2018. By the end of December 2020, the net proceeds have been fully utilized.

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

The net proceeds from the Second Placing were approximately RMB3,512.2 million, which have been and will be used for the future expansion of the Group, including the capital requirements to support its development of vaccines and microbial based products as well as continuous global capacity expansion, as disclosed in the announcement of the Company dated November 1, 2019. The table below sets out the planned applications of the net proceeds and actual usage up to December 31, 2020:

Use of proceeds	Planned applications (RMB million)	Percentage of total net proceeds	Actual usage up to December 31, 2020 (RMB million)	Net proceeds brought forward for the Reporting Period (RMB million)	Unutilized net proceeds as at December 31, 2020 (RMB million)	Expected timeframe for utilizing the remaining unutilized net proceeds (1)
To support its development of vaccines and microbial based products as well as continuous global capacity expansion	3,512.2	100%	2,726.4	3,512.2	785.8	By the end of 2021

Note:

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

On June 29, 2020, the Company entered into a placing agreement with the Placing Agent, pursuant to which the Placing Agent agreed to place 45,000,000 shares (or, failing which, to purchase itself as principal) on a fully underwritten basis to not less than six independent investors (the "**Third Placing**"). The Third Placing price was HK$137.00 per share. The net price per Third Placing share was approximately HK$136.04. The closing price was HK$148.70 per share as quoted on the Stock Exchange on the date of the placing agreement.

The net proceeds from the Third Placing were approximately RMB5,545.8 million, which will be used for continuous global capacity expansion of the Group, including the construction of commercial manufacturing facilities in the United States for projects involving COVID-19 treatments and other related CDMO projects, acquisition of manufacturing facilities outside of the PRC and development of microbial facilities in the PRC, as well as for general corporate purposes of the Group, as disclosed in the announcement of the Company dated June 30, 2020. The table below sets out the planned applications of the net proceeds and actual usage up to December 31, 2020:

Use of proceeds	Planned applications (RMB million)	Percentage of total net proceeds	Actual usage up to December 31, 2020 (RMB million)	Net proceeds brought forward for the Reporting Period (RMB million)	Unutilized net proceeds as at December 31, 2020 (RMB million)	Expected timeframe for utilizing the remaining unutilized net proceeds (1)
To construct commercial manufacturing facilities in the United States for projects involving COVID-19 treatments and other related CDMO projects, acquisition of manufacturing facilities outside of the PRC and development of microbial facilities in the PRC, as well as for general corporate purposes of the Group	5,545.8	100%	–	–	5,545.8	By the end of 2022

Note:

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

On February 2, 2021, the Company entered into a placing agreement with the Placing Agent, pursuant to which the Placing Agent agreed to place 118,000,000 shares (or, failing which, to purchase itself as principal) on a fully underwritten basis to not less than six independent investors (the "**Fourth Placing**"). The Fourth Placing price was HK$112.00 per share. The net price per Fourth Placing share was approximately HK$111.20. The closing price was HK$120.40 per share as quoted on the Stock Exchange on the date of the placing agreement.

The closing of the Fourth Placing took place on February 10, 2021, which is after the Reporting Period. The net proceeds from the Fourth Placing were approximately HK$13,121.24 million, which will be used in the following manner: (i) approximately 40% will be used for merger and acquisition of additional capacities for drug substances/drug products (DS/DP) manufacturing to match a rapidly growing pipeline; (ii) approximately 40% will be used for building-up of additional large scale manufacturing capacities for various technology platforms, including microbial and mammalian platforms; (iii) approximately 10% will be used for investment in mRNA (messenger RNA) related technologies to further enable its global clients; and (iv) approximately 10% shall be used for general corporate purposes of the Group. The expected timeline for utilizing the net proceeds of the Fourth Placing is by the end of 2023. Such timeline is based on the best estimation of the future market conditions made by the Group. It will be subject to change based on the current and future development of market conditions.

Purchase, Sale or Redemption of Listed Securities of the Company

During the year ended December 31, 2020, neither the Company nor any other subsidiary had purchased, sold or redeemed any of the Company's listed securities.

Arrangement to Purchase Shares or Debentures

Save for the Pre-IPO Share Option Scheme, at no time during the year ended December 31, 2020 did the Company or any of its holding companies, subsidiaries or fellow subsidiaries a part to any arrangements that would enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Equity-Linked Agreements

Save for the Pre-IPO Share Option Scheme as disclosed on pages 57 to 58 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 Wednesday, June 16, 2021. A notice convening the AGM will be published and dispatched to the Shareholders in due course in accordance with the requirements of the Listing Rules.

For determining the qualification as members of the Company to attend and vote at the AGM, the register of members of the Company will be closed from Thursday, June 10, 2021 to Wednesday, June 16, 2021, both dates inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the AGM, non-registered holders of Shares shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, June 9, 2021.

Corporate Governance

A report on the principle corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 66 to 84 of this annual report.

Compliance with the Relevant Laws and Regulations

For the Reporting Period, the Company is in compliance with the relevant laws and regulations that have a significant impact on the Company.

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.

Auditor

The Company has appointed Deloitte Touche Tohmatsu as the auditor of the Company for the year ended December 31, 2020. 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 23, 2021

Corporate Governance Report

The Board is pleased to present the Corporate Governance Report for the year ended December 31, 2020.

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 of the CG Code contained in Appendix 14 to the Listing Rules as the basis of the Company's corporate governance practices.

The Board is of the view that the Company has complied with all applicable code provisions as set out in the CG Code throughout the Reporting Period. The Board will review the corporate governance structure and practices from time to time and shall make necessary arrangements when the Board considers appropriate.

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 Reporting Period.

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. Kenneth Walton Hitchner III

The biographical information of the Directors are set out in the section headed "Directors and Senior Management" on pages 39 to 43 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.

Code provision A.2.7 of the CG Code requires that the Chairman of the Board should at least annually hold meetings with independent non-executive Directors without the presence of other directors. Arrangements have been made for compliance with the code provision and one meeting was held during the Reporting Period.

During the Reporting 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	4/5
Mr. William Robert Keller	5/5
Mr. Teh-Ming Walter Kwauk	5/5
Mr. Wo Felix Fong (retired on June 9, 2020)	1/2
Mr. Kenneth Walton Hitchner III (appointed on June 9, 2020)	3/3

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 Reporting 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 director's service agreement for a specific term of three years, which is renewable by mutual consent and subject to the Articles of Association of the Company.

Every Director (including those appointed for a specific term) shall 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.

The Company's Articles of Association also 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.

Responsibilities, Accountabilities and Contributions of the Board and Management

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 will receive 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 will also be 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 Reporting Period, the Company organized training sessions conducted by the legal advisers and ESG consultants for all Directors. The training sessions covered a wide range of relevant topics including Directors' duties and responsibilities, Listing Rules on employees incentive schemes and new ESG reporting guide. In addition, relevant reading materials including legal and regulatory updates have been provided to the Directors for their reference and studying.

The training records of the Directors for the Reporting Period are summarized as follows:

Directors	Type of Training Note
Executive Directors	
Dr. Zhisheng Chen	A & B
Dr. Weichang Zhou	A & B
Non-executive Directors	
Dr. Ge Li	A & B
Mr. Edward Hu	A & B
Mr. Yibing Wu	A & B
Mr. Yanling Cao	A & B
Independent Non-executive Directors	
Mr. William Robert Keller	A & B
Mr. Teh-Ming Walter Kwauk	A & B
Mr. Wo Felix Fong (retired on June 9, 2020)	A
Mr. Kenneth Walton Hitchner III (appointed on June 9, 2020)	A & B

Note:

Types of Training

A: Attending training sessions, including but not limited to, briefings, seminars, conferences and/or workshops

B: Reading relevant news alerts, newspapers, journals, magazines and/or relevant publications

BOARD COMMITTEES

The Board has established four committees, namely, the Audit Committee, Remuneration Committee, Nomination Committee and Strategy Committee 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 websites of the Company and Hong Kong Exchanges and Clearing Limited ("**HKEX**") 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.

During the Reporting Period, the Audit Committee held four meetings to review and consider annual financial results and report, Corporate Governance Report and ESG Report in respect of the year ended December 31, 2019, the interim financial results and report in respect of the six months ended June 30, 2020, 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, review and consider the reported case and investigation progress in accordance with the Whistleblowing & Investigation Policy, and evaluate and assess the adequacy of the terms of reference of the Audit Committee.

The Audit Committee also met the external auditors once during the Reporting 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	4/4
Mr. William Robert Keller	4/4
Mr. Edward Hu	4/4

Remuneration Committee

The Remuneration Committee consists of two independent non-executive Directors and one non-executive Director, namely Mr. William Robert Keller, Mr. Kenneth Walton Hitchner III 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.

During the Reporting Period, the Remuneration Committee held four meetings to review and make recommendation to the Board on the remuneration policy and structure of the Company, the remuneration packages of the executive Directors and senior management and the hiring and departure of the Company's senior/key staff, evaluate and assess the adequacy of the terms of reference of the Remuneration Committee and other related matters as well as consider and make recommendation to the Board on key terms of the new director's service agreement entered with an executive Director, a non-executive Director, an independent non-executive Director and the newly appointed independent non-executive Director and the grant of restricted shares under 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, 2020 is as follows:

	Number of employees
HKD13,000,001 to HKD15,000,000	1
HKD5,500,001 to HKD6,000,000	1
HKD4,000,001 to HKD4,500,000	1
HKD3,500,001 to HKD4,000,000	2
HKD3,000,001 to HKD3,500,000	2

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	4/4
Mr. Wo Felix Fong (retired on June 9, 2020)	1/2
Mr. Edward Hu	4/4
Mr. Kenneth Walton Hitchner III (appointed on June 9, 2020)	2/2

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 re-appointment and succession planning of Directors, and assessing the independence of independent non-executive Directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board Diversity Policy. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's relevant criteria as set out in the Director Nomination Policy that are necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

During the Reporting Period, the Nomination Committee met once to review the structure, size and composition of the Board, to consider the qualifications of the retiring directors standing for election at the 2020 AGM, to consider and recommend the Board on the election as new independent non-executive Director at the 2020 AGM and evaluate and assess the adequacy of the terms of reference of the Nomination Committee.

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

Name of Members of the Nomination Committee	Attendance
Dr. Ge Li	1/1
Mr. William Robert Keller	1/1
Mr. Teh-Ming Walter Kwauk	1/1

Board Diversity Policy

The Board has adopted a Board Diversity Policy which sets out the approach to achieve diversity on the Board and is available on the website of the Company. The Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in maintaining the Company's competitive advantage.

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 (including gender diversity).

The Company aims to build and maintain a Board with a diversity of Directors, in terms of skills, professional experience, educational background, knowledge, expertise, culture, independence, age and gender.

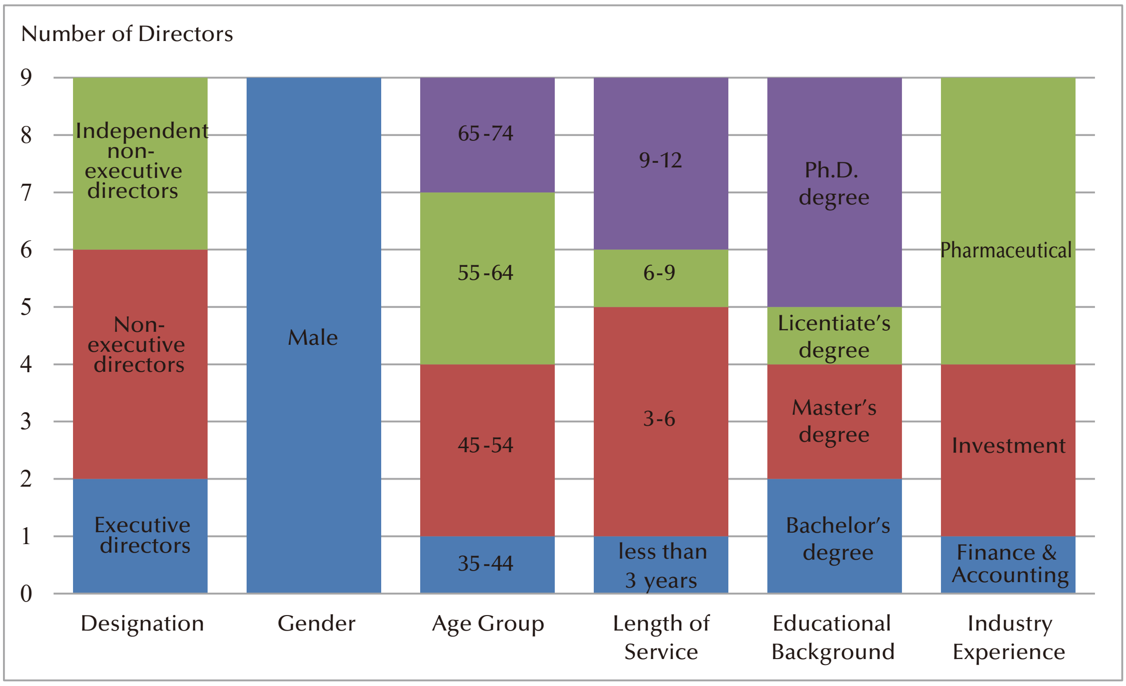
The Board will consider setting measurable objectives to implement the Board Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives.

At present, the Nomination Committee considered that the Board is sufficiently diverse and the Board has not set any measurable objectives.

The Nomination Committee will report annually, in the corporate governance report contained in the Company's annual report, on the Board's composition under diversified perspectives, and monitor the implementation of the Board Diversity Policy.

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its effectiveness. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

The following chart shows the diversity profile of the Board as at December 31, 2020:



Director Nomination Policy

The Board has adopted a Director Nomination Policy which sets out the approach to guide the Nomination Committee in relation to the selection, appointment and re-appointment of the Directors and ensure that the Board has a balance of skills, experience, knowledge and diversity of perspectives appropriate to the requirements of the Company's business.

The Director Nomination Policy sets out the criteria for the selection of a proposed candidate, including but not limited to the following:

- Diversity required for the operation of the Company;
- Commitment for responsibilities of the Board in respect of available time and relevant interest;
- Skills, qualification and experiences;
- Independence from the Company and its subsidiaries;
- Reputation for integrity;
- Potential contributions that the individual(s) can bring to the Board; and
- Plan(s) in place for the orderly succession of the Board.

The Director Nomination Policy also sets out the criteria for evaluation and recommendation to the Board on the re-appointment of retiring Director(s) and the position(s) of the independent non-executive Directors, and the process and procedures for the nomination of Directors.

During the Reporting Period, there was change in the composition of the Board.

The Nomination Committee will review the Director Nomination Policy, as appropriate, to ensure its effectiveness.

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.

During the Reporting Period, the Strategy Committee met once to review and consider the implementation of the "Win-the-Molecule" strategy, global footprint, mergers and acquisitions strategy and CMO model of the Company.

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

Name of Members of the Strategy Committee	Attendance
Dr. Zhisheng Chen	1/1
Dr. Ge Li	1/1
Mr. Yibing Wu	1/1

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 but 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 the 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 than 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, which is 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; and

- 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 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 the 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 Company has also promulgated the Conflict of Interest Management Policy which sets guidelines in consultation, judgment, declaration and addressing conflict of interest.

The Internal Audit Department plays a vital role in supporting the Board and the management with 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, which are then reported 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, 2020.

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 Auditor's Report on pages 88 to 90 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, 2020 is set out below:

Service Category	**Fees Paid/ Payable** RMB'000
Audit Services	4,280
Non-audit Services	
— Subdivision of shares	100
— ESG Report	160
TOTAL	4,540

JOINT COMPANY SECRETARIES

Mr. Huang Yue and Ms. Sham Ying Man are the joint company secretaries of the Company.

Ms. Sham Ying Man is a manager of Corporate Services of Tricor Services Limited, a global professional services provider specializing in integrated Business, Corporate and Investor Services. The primary contact person at the Company is Ms. Christine Shaohua Lu-Wong, the chief financial officer and Mr. Huang Yue, joint company secretary of the Company and the Senior Director of the Secretary Office to the Board.

The joint company secretaries attended sufficient professional training as required under the Listing Rules for the year ended December 31, 2020 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 HKEX 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: 46#, 299 Fute Zhong Road, Waigaoqiao
China (Shanghai) Pilot Free Trade Zone Shanghai 200131, China
(For the attention of the board secretary office)
Fax: 86 (21) 50461000

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 attendance records of Directors at the annual general meeting held during the Reporting Period are as follows:

Name of Directors	Attendance
Dr. Ge Li	1/1
Dr. Zhisheng Chen	1/1
Dr. Weichang Zhou	1/1
Mr. Edward Hu	1/1
Mr. Yibing Wu	0/1
Mr. Yanling Cao	0/1
Mr. William Robert Keller	0/1
Mr. Teh-Ming Walter Kwauk	1/1
Mr. Wo Felix Fong (retried on June 9, 2020)	0/1
Mr. Kenneth Walton Hitchner III (appointed on June 9, 2020)	N/A

The Company maintains a website at www.wuxibiologics.com 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

During the Reporting Period, 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 HKEX.

Policies relating to Shareholders

The Company has in place a shareholders' communication policy to ensure that shareholders' views and concerns are appropriately addressed. The policy is regularly reviewed to ensure its effectiveness.

The Company has adopted a policy on payment of dividends which aims to set out the principles and guidelines that the Company intends to apply in relation to the declaration and payment of dividends pursuant to code provision E.1.5 of the CG Code that has become effective from January 1, 2019.

The Board has adopted a dividend policy in which the Company may declare dividends in any currency in general meeting but no dividends shall exceed the amount recommended by the Board, subject to the Companies Law of the Cayman Islands and the Memorandum and Articles of Association of the Company. Based on the financial results for the Reporting Period and the current cash flow and working capital projections, the Board believes that it will not be advisable to make a distribution for the Reporting Period, given considerable requirements of capital expenditure for business expansion. The Board will continue to review its financial position from time to time, and decide whether it would be in the interest of the Company and its shareholders to make any distribution.

TO THE SHAREHOLDERS OF WUXI BIOLOGICS (CAYMAN) INC.
(incorporated in the 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 91 to 231, which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and 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, 2020, 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 compliance 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's 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 period. 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.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of trade receivables and contract assets under ECL model	
We identified impairment assessment of trade receivables and contract assets as a key audit matter due to significance of the Group's trade receivables and contract assets in the context of the Group's consolidated financial statements, combined with the subjective judgement and management estimates involved in evaluating the expected credit loss of the Group's trade receivables and contract assets at the end of the reporting period. As disclosed in Notes 25 and 26 to the consolidated financial statements, as at December 31, 2020, the carrying amount of trade receivables amounted to approximately RMB2,333 million (net of allowance for credit losses of RMB177 million) and contract assets amounted to approximately RMB24 million (net of allowance for credit losses of RMB8 million) which in total represented approximately 16.6% of the Group's total current assets. As disclosed in Note 4 to the consolidated financial statements, the estimates of impairment assessment of trade receivables and contract assets require the use of management estimates.	Our procedures in relation to the impairment assessment of trade receivables and contract assets included: • Understanding key controls on how the management estimates the loss allowance for trade receivables and contract assets; • Testing the integrity of information used by management to develop the provision matrix, including trade receivables and contract assets historical collection records, on a sample basis, by comparing individual items in the analysis with the supporting documents; • Challenging management's basis and judgement in determining credit loss allowance on trade receivables and contract assets as at December 31, 2020, including their identification and evaluation of individually assessed trade receivables and contract assets, the reasonableness of management's grouping based on internal credit ratings of the remaining trade debtors in the provision matrix, and the basis of estimated loss rates applied in each category in the provision matrix (with reference to historical default rates and forward-looking information); and • Evaluating the disclosures regarding the impairment assessment of trade receivables and contract assets in Note 36(b) to the consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Fair value measurement for unlisted equity investments	
We identified fair value measurement for unlisted equity investments as a key audit matter due to significance of the Group's equity instruments at fair value through other comprehensive income ("FVTOCI") and financial assets at fair value through profit or loss ("FVTPL") in the context of the Group's consolidated financial statements, combined with the management estimates involved. The Group made unlisted equity investments in a wide variety of companies in life science and healthcare sector in order to support the sustainable growth of the Group. For those unlisted equity investments to be accounted for either as FVTOCI or FVTPL under IFRS 9 *Financial Instruments*, their fair value are determined based on direct or indirect observable inputs or significant unobservable inputs using valuation techniques as disclosed in Note 36(c) to the consolidated financial statements. Judgment and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. As disclosed in Note 19 and Note 20A to the consolidated financial statements, as at December 31, 2020, the Group carries unlisted equity investments at FVTOCI and FVTPL amounted to approximately RMB127 million and RMB373 million, respectively.	Our procedures in relation to the fair value measurement for unlisted equity investments included: • Understanding the key controls on how the management establish the valuation technique and the relevant inputs in determining the fair value of the unlisted equity investments; • With the assistance of our internal valuation specialists, on sample basis, evaluating the appropriateness of the valuation techniques in the circumstances and challenging management's key inputs; • For those investments that management use the assistance of external appraisers in the fair value measurement, assessing the objectivity, independence and competence of the external appraisers; and • Evaluating the disclosure regarding the fair value measurement for unlisted equity investments in Note 36(c) to the consolidated financial statements.

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.

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 of the Company 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.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

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.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

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, actions taken to eliminate threats or safeguards applied.

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 23, 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended December 31, 2020

	NOTES	**2020** **RMB'000**	2019 RMB'000
Revenue	5	**5,612,384**	3,983,687
Cost of sales and services		**(3,079,418)**	(2,324,858)
Gross profit		**2,532,966**	1,658,829
Other income	6	**220,137**	179,869
Impairment losses, net of reversal	9	**(121,062)**	(6,842)
Other gains and losses	7	**283,404**	21,520
Selling and marketing expenses		**(94,415)**	(77,080)
Administrative expenses		**(511,436)**	(367,288)
Research and development expenses		**(303,734)**	(259,651)
Share of profit (loss) of an associate	16	**2,632**	(3,119)
Finance costs	8	**(42,732)**	(19,605)
Profit before tax	9	**1,965,760**	1,126,633
Income tax expense	10	**(273,066)**	(116,296)
Profit for the year		**1,692,694**	1,010,337
Other comprehensive income			
Item that will not be reclassified to profit or loss:			
Fair value loss on investments in equity instruments at fair value through other comprehensive income ("FVTOCI")		**(2,686)**	—
Items that may be reclassified subsequently to profit or loss:			
Exchange loss arising on translation of foreign operations		**(24,297)**	(2,628)
Fair value gain on hedging instruments designated in fair value hedges and cash flow hedges, net of income tax		**226,600**	3,419
Other comprehensive income for the year		**199,617**	791
Total comprehensive income for the year		**1,892,311**	1,011,128

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended December 31, 2020

	NOTE	**2020** **RMB'000**	2019 RMB'000
Profit for the year attributable to:			
Owners of the Company		**1,688,886**	1,013,805
Non-controlling interests		**3,808**	(3,468)
		1,692,694	1,010,337
Total comprehensive income for the year attributable to:			
Owners of the Company		**1,885,582**	1,014,596
Non-controlling interests		**6,729**	(3,468)
		1,892,311	1,011,128
		RMB	RMB
Earnings per share — Basic	12A	**0.43**	0.27
— Diluted	12A	**0.40**	0.25

Consolidated Statement of Financial Position

At December 31, 2020

	NOTES	2020 RMB'000	2019 RMB'000
Non-current Assets			
Property, plant and equipment	13	**11,996,171**	6,338,457
Right-of-use assets	14	**874,153**	457,930
Goodwill	15	**185,408**	185,408
Intangible assets	18	**391,857**	415,845
Investment in an associate	16	**187,520**	30,857
Equity instruments at FVTOCI	19	**127,167**	138,826
Financial assets at fair value through profit or loss ("FVTPL")	20A	**758,813**	282,479
Finance lease receivables	21	**87,672**	—
Derivative financial assets	30	**20,870**	—
Deferred tax assets	17	**80,136**	36,043
Other long-term deposits and prepayments	22	**49,478**	44,568
		14,759,245	7,930,413
Current Assets			
Inventories	23	**1,084,192**	399,389
Finance lease receivables	21	**8,615**	—
Trade and other receivables	25	**3,241,878**	1,736,659
Contract assets	26	**24,069**	39,981
Contract costs	24	**392,123**	284,235
Tax recoverable		**3,147**	10
Derivative financial assets	30	**440,997**	31,446
Financial assets at FVTPL	20A	**112,469**	85,000
Other financial assets	20B	**—**	458,000
Pledged bank deposits	27	**528,787**	431,640
Time deposits	27	**1,272,356**	—
Bank balances and cash	27	**7,095,735**	6,205,496
		14,204,368	9,671,856
Current Liabilities			
Trade and other payables	28	**2,728,543**	1,843,652
Borrowings	31	**767,126**	506,107
Contract liabilities	29	**664,863**	336,395
Income tax payable		**250,893**	142,149
Lease liabilities	32	**60,711**	26,489
Derivative financial liabilities	30	**26,112**	16,406
		4,498,248	2,871,198
Net Current Assets		**9,706,120**	6,800,658
Total Assets less Current Liabilities		**24,465,365**	14,731,071

Consolidated Statement of Financial Position

At December 31, 2020

	NOTES	2020 RMB'000	2019 RMB'000
Non-current Liabilities			
Deferred tax liabilities	17	**180,885**	24,734
Borrowings	31	**1,837,623**	1,395,240
Contract liabilities	29	**659,949**	—
Lease liabilities	32	**666,513**	266,112
Deferred income	33	**213,740**	148,885
Derivative financial liabilities	30	**7,259**	—
		3,565,969	1,834,971
Net Assets		**20,899,396**	12,896,100
Capital and Reserves			
Share capital	34	**225**	214
Reserves		**20,564,220**	12,784,149
Equity attributable to owners of the Company		**20,564,445**	12,784,363
Non-controlling interests		**334,951**	111,737
Total Equity		**20,899,396**	12,896,100

The consolidated financial statements on pages 91 to 231 were approved and authorized for issue by the Board of Directors on March 23, 2021 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, 2020

	Attributable to owners of the Company											
	Share capital RMB'000	Share premium RMB'000	Statutory reserve RMB'000 *(Note i)*	Equity-settled share-based compensation reserve RMB'000 *(Note ii)*	Cash flow and fair value hedging reserve RMB'000	FVTOCI reserve RMB'000	Group reorganization reserve RMB'000 *(Note iii)*	Foreign currency translation reserve RMB'000	Retained earnings RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At January 1, 2019	202	6,650,211	106,945	267,004	11,701	–	(4,636)	102	959,327	7,990,856	473	7,991,329
Profit for the year	–	–	–	–	–	–	–	–	1,013,805	1,013,805	(3,468)	1,010,337
Other comprehensive income for the year												
– Fair value adjustments on cash flow hedges	–	–	–	–	(13,477)	–	–	–	–	(13,477)	–	(13,477)
– Recycling from cash flow hedging reserve to profits or loss arising from foreign currency forward contracts	–	–	–	–	16,896	–	–	–	–	16,896	–	16,896
– Exchange loss arising from translation of foreign operations	–	–	–	–	–	–	–	(2,628)	–	(2,628)	–	(2,628)
Total comprehensive income (expense) for the year	–	–	–	–	3,419	–	–	(2,628)	1,013,805	1,014,596	(3,468)	1,011,128
Transfer to statutory reserve	–	–	94,237	–	–	–	–	–	(94,237)	–	–	–
Recognition of equity-settled share-based compensation	–	–	–	203,938	–	–	–	–	–	203,938	–	203,938
Exercise of pre-IPO share options	2	97,785	–	(35,035)	–	–	–	–	–	62,752	–	62,752
Issue of new shares (Note 34)	10	3,533,604	–	–	–	–	–	–	–	3,533,614	–	3,533,614
Transaction costs attributable to issue of new shares	–	(21,393)	–	–	–	–	–	–	–	(21,393)	–	(21,393)
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	114,732	114,732
At December 31, 2019	214	10,260,207	201,182	435,907	15,120	–	(4,636)	(2,526)	1,878,895	12,784,363	111,737	12,896,100
Profit for the year	–	–	–	–	–	–	–	–	1,688,886	1,688,886	3,808	1,692,694
Other comprehensive income for the year												
– Fair value adjustments on fair value hedges and cash flow hedges	–	–	–	–	365,045	–	–	–	–	365,045	–	365,045
– Recycling from cash flow hedging reserve to profits or loss arising from foreign currency forward contracts	–	–	–	–	(138,445)	–	–	–	–	(138,445)	–	(138,445)
– Fair value change of FVTOCI	–	–	–	–	–	(2,686)	–	–	–	(2,686)	–	(2,686)
– Exchange loss arising from translation of foreign operations	–	–	–	–	–	–	–	(27,218)	–	(27,218)	2,921	(24,297)
Total comprehensive income (expense) for the year	–	–	–	–	226,600	(2,686)	–	(27,218)	1,688,886	1,885,582	6,729	1,892,311

Consolidated Statement of Changes In Equity

For the year ended December 31, 2020

	Attributable to owners of the Company											
	Share capital RMB'000	Share premium RMB'000	Statutory reserve RMB'000 *(Note i)*	Equity-settled share-based compensation reserve RMB'000 *(Note ii)*	Cash flow and fair value hedging reserve RMB'000	FVTOCI reserve RMB'000	Group reorganization reserve RMB'000 *(Note iii)*	Foreign currency translation reserve RMB'000	Retained earnings RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
Transfer to statutory reserve	–	–	132,475	–	–	–	–	–	(132,475)	–	–	–
Recognition of equity-settled share-based compensation	–	–	–	284,177	–	–	–	–	–	284,177	–	284,177
Exercise of pre-IPO share options	2	143,676	–	(79,553)	–	–	–	–	–	64,125	–	64,125
Issue of new shares (Note 34)	9	5,584,741	–	–	–	–	–	–	–	5,584,750	–	5,584,750
Capital injection by non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	216,892	216,892
Disposal of partial equity interest in subsidiaries without losing control	–	–	–	–	–	–	–	–	407	407	(407)	–
Transaction costs attributable to issue of new shares	–	(38,959)	–	–	–	–	–	–	–	(38,959)	–	(38,959)
At December 31, 2020	225	15,949,665	333,657	640,531	241,720	(2,686)	(4,636)	(29,744)	3,435,713	20,564,445	334,951	20,899,396

Notes:

(i) In accordance with the Articles of Association of all subsidiaries of WuXi Biologics (Cayman) Inc. (the "Company") established in the People's Republic of China (the "PRC"), they are required to transfer 10% of the profit after tax to the statutory reserve until the reserve reaches 50% of 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 the equity-settled share-based compensation in respect of share options for shares of WuXi PharmaTech (Cayman) Inc. ("WuXi PharmaTech"), the then ultimate holding company of the Company before the completion of the group reorganization of the Company (see Note iii below), for the equity instruments granted by WuXi PharmaTech to certain directors of the Company and employees of the Company and its subsidiaries (collectively referred to as the "Group") for their service rendered to the Group, the equity-settled share-based compensation under the Company's pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") and the Company's restricted share award scheme (the "Restricted Share Award Scheme") as disclosed in Note 41.

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

Consolidated Statement of Cash Flows

For the year ended December 31, 2020

	2020 **RMB'000**	2019 RMB'000
OPERATING ACTIVITIES		
Profit before tax	**1,965,760**	1,126,633
Adjustments for:		
Finance costs	**42,732**	19,605
Interest income from banks and other financial assets at amortized cost	**(80,864)**	(63,856)
Share of (profit) loss of an associate	**(2,632)**	3,119
Depreciation for property, plant and equipment	**236,866**	172,547
Depreciation of right-of-use assets	**34,094**	28,004
Amortization of intangible assets	**32,049**	20,814
Amortization of retention bonus	**951**	3,012
Impairment loss, net of reversal		
— trade and other receivables	**121,629**	5,128
— contract assets	**(567)**	1,714
Write down of inventories	**19,341**	3,561
Write down of contract costs	**13,266**	9,372
Net foreign exchange loss	**63,312**	9,187
Share-based compensation expense	**276,370**	203,938
Income from government grants and subsidies	**(10,953)**	(10,137)
Investment income from financial assets at FVTPL	**(26,812)**	(11,896)
Gain on changes in fair value of financial assets at FVTPL	**(344,625)**	(3,515)
Gain on derivative financial instruments	**—**	(14,047)
Loss on disposal of property, plant and equipment	**2,660**	1,437
Operating cash flows before movements in working capital	**2,342,577**	1,504,620
Increase in inventories	**(704,522)**	(94,005)
Decrease in contract costs	**8,152**	109,088
Increase in trade and other receivables	**(1,418,264)**	(643,856)
Decrease (increase) in contract assets	**16,477**	(5,669)
Increase in other long-term deposits	**(3,924)**	(1,218)
Increase (decrease) in contract liabilities	**988,417**	(164,862)
Increase in trade and other payables	**747,171**	579,621
(Decrease) increase in deferred income	**(570)**	2,361
Cash generated from operations	**1,975,514**	1,286,080
Income tax paid	**(94,238)**	(78,001)
NET CASH FROM OPERATING ACTIVITIES	**1,881,276**	1,208,079

Consolidated Statement of Cash Flows

For the year ended December 31, 2020

	2020 RMB'000	2019 RMB'000
INVESTING ACTIVITIES		
Proceeds on disposal of property, plant and equipment	**66,485**	47,645
Purchase of property, plant and equipment	**(6,024,780)**	(3,210,583)
Payment for consideration payables for previous acquisition of subsidiaries	**(5,684)**	(267,023)
Payment for potential acquisition	**(149,555)**	—
Purchase of intangible assets	**—**	(1,191)
Payments for right-of-use assets	**—**	(22,881)
Payments for rental deposits	**(6,232)**	(4,531)
Acquisition of an associate	**—**	(33,798)
Government grants and subsidies received	**75,368**	79,253
Withdrawal of pledged bank deposits	**—**	33,164
Placement of pledged bank deposits	**(97,147)**	(439,607)
Withdrawal of other financial assets	**1,551,000**	1,041,891
Placement of other financial assets	**(1,093,000)**	(1,496,099)
Withdrawal of financial assets at FVTPL	**16,571,311**	2,706,722
Placement of financial assets at FVTPL	**(16,786,266)**	(2,961,364)
Receipt of interest from bank	**78,635**	53,618
Withdrawal of time deposits	**1,077,789**	164,993
Placement of time deposits	**(2,474,185)**	(164,993)
Settlement of derivative financial instruments	**49,978**	(19,146)
Loan to an associate	**(50,000)**	—
NET CASH USED IN INVESTING ACTIVITIES	**(7,216,283)**	(4,493,930)
FINANCING ACTIVITIES		
Proceeds from bank borrowings	**1,171,239**	2,049,825
Repayment of bank borrowings	**(300,781)**	(140,000)
Interest paid	**(82,544)**	(49,801)
Repayment of lease liabilities	**(49,078)**	(22,174)
Proceeds from issue of ordinary shares	**5,584,750**	3,533,614
Payment of issue cost	**(38,959)**	(21,393)
Proceeds from exercise of pre-IPO share options	**64,125**	62,752
Capital injection by non-controlling shareholders	**216,892**	—
NET CASH FROM FINANCING ACTIVITIES	**6,565,644**	5,412,823
Effects of foreign exchange rate changes	**(340,398)**	(5,871)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**890,239**	2,121,101
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**6,205,496**	4,084,395
CASH AND CASH EQUIVALENTS AT END OF YEAR, REPRESENTED BY BANK BALANCES AND CASH	**7,095,735**	6,205,496

1. GENERAL INFORMATION

The Company was established in the Cayman Islands as an exempted company with limited liability on February 27, 2014, and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since June 13, 2017. The 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. The Group is principally engaged in provision of discovery, development and manufacturing of biologics services.

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

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

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in IFRS Standards* and the following amendments to IFRSs issued by the International Accounting Standards Board (the "IASB") for the first time, which are mandatorily effective for the annual period beginning on or after January 1, 2020 for the preparation of the consolidated financial statements:

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

In addition, the Group has early applied the Amendment to IFRS 16 *Covid-19-Related Rent Concessions*.

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

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

2.1 Impacts on application of Amendments to IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform

The Group has applied the amendments for the first time in the current year. The amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reform. The amendments are relevant to the Group given that it applies hedge accounting to its benchmark interest rate exposures.

The amendments had no impact on the consolidated financial statements of the Group as the Group's assessment of hedging relationship and hedging effectiveness is not altered as a result of interest rate benchmark reform.

New and amendments to IFRSs in issue but not yet effective

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

IFRS 17	*Insurance Contracts and the related Amendments*[1]
Amendments to IFRS 3	*Reference to the Conceptual Framework*[2]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform — Phase 2*[4]
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 1	*Classification of Liabilities as Current or Non-current*[1]
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to IAS 8	*Definition of Accounting Estimates*[1]
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[2]
Amendments to IAS 37	*Onerous Contracts — Cost of Fulfilling a Contract*[2]
Amendments to IFRS Standards	*Annual Improvements to IFRS Standards 2018–2020*[2]

[1] Effective for annual periods beginning on or after January 1, 2023.
[2] Effective for annual periods beginning on or after January 1, 2022.
[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.

Except for the amendments to IFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

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

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

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform — Phase 2 relate to the modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements and disclosure requirements applying IFRS 7 *Financial Instruments: Disclosures* to accompany the amendments regarding modifications and hedge accounting.

- Modification of financial assets, financial liabilities and lease liabilities. A practical expedient is introduced for modifications required by the reform (modifications required as a direct consequence of the interest rate benchmark reform and made on an economically equivalent basis). These modifications are accounted for by updating the effective interest rate. All other modifications are accounted for using the current IFRSs requirements. A similar practical expedient is proposed for lessee accounting applying IFRS 16 *Leases* ("IFRS 16");

- Hedge accounting requirements. Under the amendments, hedge accounting is not discontinued solely because of the interest rate benchmark reform. Hedging relationships (and related documentation) are required to be amended to reflect modifications to the hedged item, hedging instrument and hedged risk. Amended hedging relationships should meet all qualifying criteria to apply hedge accounting, including effectiveness requirements; and

- Disclosures. The amendments require disclosures in order to allow users to understand the nature and extent of risks arising from the interest rate benchmark reform to which the Group is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from interbank offered rates to alternative benchmark rates, and how the entity is managing this transition.

As at December 31, 2020, the Group has several London Interbank Offered Rate ("LIBOR") bank loans which will be subject to interest rate benchmark reform. The Group expects no significant modification gains or losses should the interest rate benchmark for these loans change resulting from the reform on application of the amendments. For the impact to hedge accounting, the Group is still in the process of assessing the potential impact of the application of amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform — Phase 2 on the Group's financial performance and positions in the future.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance.

The directors of the Company have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

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 each reporting period, as explained in the accounting policies set out 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 accounted for in accordance with IFRS 16, 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. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 Basis of preparation of consolidated financial statements (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.

3.2 Significant accounting policies

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and 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. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Basis of consolidation (Continued)

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

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

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognized. A gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 *Financial Instruments* ("IFRS 9") or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Business combinations or asset acquisitions

Optional concentration test

Effective from January 1, 2020, the Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

Asset acquisitions

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognizes the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

Except for certain recognition exemptions, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the International Accounting Standards Committee's *Framework for the Preparation and Presentation of Financial Statements* (replaced by the *Conceptual Framework for Financial Reporting* issued in September 2010).

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Business combinations or asset acquisitions (Continued)

Business combinations (Continued)

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below);

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard; and

- lease liabilities are recognized and measured at the present value of the remaining lease payments (as defined in IFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which the lease term ends within 12 months of the acquisition date. Right-of-use assets are recognized and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Business combinations or asset acquisitions (Continued)

Business combinations (Continued)

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or group of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Goodwill (Continued)

The Group's policy for goodwill arising on the acquisition of an associate is described below.

Investments in subsidiaries

Investments in subsidiaries are stated at cost less than any identified impairment loss on the statement of financial position of the Company.

Investment in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Investment in associates (Continued)

When investment in an associate is held by, or is held indirectly through, venture capital organization or similar entities of the Group, the Group may irrevocably elect to measure that investment at FVTPL in accordance with IFRS 9 and presented as financial assets at FVTPL. Such election is made separately for initial recognition of each associate.

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognized in profit or loss. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of IFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Investment in associates (Continued)

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Revenue from contracts with customers

The Group 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.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognized over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognized at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Revenue from contracts with customers (Continued)

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations (i.e. Fee-for-service ("FFS") contracts usually have multiple deliverable units, which are generally in the form of technical laboratory reports and/or samples), the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis, except for the allocation of discounts and variable consideration.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

The selection of the method to measure progress towards completion requires judgment and is based on the nature of the products or services to be provided. Depending on which better depicts the transfer of value to the customer, the Group measures its progress using either units produced/services transferred to the customer to date (output method) or cost-to-cost (input method).

Output method:

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognize revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Revenue from contracts with customers (Continued)

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation (Continued)

Output method: (Continued)

As a practical expedient, if the Group has a right to consideration in an amount that corresponds directly with the value of the Group's performance completed to date (for example, service contracts in which the Group bills a fixed amount for each hour of service provided), the Group recognizes revenue in the amount to which the Group has the right to invoice.

Input method:

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognize revenue on the basis of the Group's costs incurred to date to the satisfaction of a performance obligation relative to the total expected costs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

Variable consideration

For contracts that contain variable consideration (usually in the form of a milestone bonus when the service provided to the customer has reached into a certain stage or delivered a certain result), the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Revenue from contracts with customers (Continued)

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

For advance payments received from customers before the transfer of the associated goods or services in which the Group adjusts for the promised amount of consideration for a significant financing component, the Group applies a discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. The relevant interest expenses during the period between the advance payments were received and the transfer of the associated goods and services are accounted for on the same basis as other borrowing costs.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognizes revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Revenue from contracts with customers (Continued)

Contract costs

Costs to fulfil a contract

The Group incurs costs to fulfil a contact in its service contracts. The Group first assesses whether these costs qualify for recognition as an asset in terms of other relevant Standards, failing which it recognizes an asset for these costs only if they meet all of the following criteria:

(a) the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;

(b) the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and

(c) the costs are expected to be recovered.

The asset so recognized is subsequently amortized to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate. The asset is also subject to impairment review.

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Non-lease components are separated from lease component on the basis of their relative stand-alone prices.

Short-term leases

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognized as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Lease liabilities

At the commencement date of a lease, the Group recognizes and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Lease modifications

Except for Covid-19-related rent concessions in which the Group applied the practical expedient, the Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Leases (Continued)

Covid-19-related rent concessions

In relation to rent concessions that occurred as a direct consequence of the Covid-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying IFRS 16 if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognized in the profit or loss in the period in which the event occurs.

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recognized as receivables at commencement date at amounts equal to net investments in the leases, measured using the interest rate implicit in the respective leases. Initial direct costs are included in the initial measurement of the net investments in the leases. Interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than functional currency of that entity (foreign currencies) are recognized at the rates of exchanges prevailing on 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 carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Renminbi) using exchange rate prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve.

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.

Any specific borrowing that remains outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalization rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

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 expenses 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 non-current assets 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 related to income 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. Such grants are presented under "other income".

Employee benefits

Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

Pension obligations

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.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Employee benefits (Continued)

Short-term employee benefits (Continued)

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.

Share-based payments

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payments to employees (including directors of the Company) are measured at the fair value of the equity instruments at the grant date.

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 each reporting period, the Group revises its estimate 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 estimate, with a corresponding adjustment to the equity-settled share-based compensation reserve.

When the share options are exercised, the amount previously recognized in 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 equity-settled share-based compensation reserve will continue to be held in equity-settled share-based compensation reserve.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Share-based payments (Continued)

Equity-settled share-based payment transactions (Continued)

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.

Restricted share award payment transactions

For shares of the Group granted under Restricted Share Award Scheme ("Restricted Shares"), the fair value of the employee services received is determined by reference to the fair value of the Restricted Shares granted at the grant date and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (equity-settled share-based compensation reserve). At the end of each reporting period, the Group revises its estimates of the number of Restricted Shares that are expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the estimates, if any, is recognized in the profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity-settled share-based compensation reserve.

When the Restricted Shares vested, the amount previously recognized in equity-settled share-based compensation reserve will be transferred to share premium.

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax because 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Taxation (Continued)

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. In addition, deferred tax liabilities are not recognized if the temporary differences arises from the initial recognition of goodwill.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates 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. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each 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.

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 is realized, based on tax rate (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.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognizes the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Taxation (Continued)

For leasing transaction in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 *Income Taxes* requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be use by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Property, plant and equipment other than assets under construction in progress are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Freehold lands are not depreciated and are measured at cost less subsequent accumulated impairment losses.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Property, plant and equipment (Continued)

Property, plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other assets, commences when the assets are ready for their intended use.

Depreciation is recognized so as to write off the cost of assets other than property, plant and equipment in the course of construction less their residual values over their estimated useful lives, 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.

An item of property, 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 the disposal or retirement of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortization and any accumulated impairment losses. Amortization for intangible assets with finite useful lives is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Internally-generated intangible asset — research and development expenditure

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Intangible assets (Continued)

Internally-generated intangible asset — research and development expenditure (Continued)

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.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognized separately from goodwill and are initially recognized at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortization and any accumulated impairment losses on the same basis as intangible assets that are acquired separately.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Intangible assets (Continued)

Intangible assets acquired in a business combination (Continued)

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

Impairment on property, plant and equipment, right-of-use assets, contract costs and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets, intangible assets with finite useful lives and contract costs to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment, right-of-use assets, and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Before the Group recognizes an impairment loss for assets capitalized as contract costs under IFRS 15, the Group assesses and recognizes any impairment loss on other assets related to the relevant contracts in accordance with applicable standards. Then, impairment loss, if any, for assets capitalized as contract costs is recognized to the extent the carrying amounts exceeds the remaining amount of consideration that the Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services that have not been recognized as expenses. The assets capitalized as contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Impairment on property, plant and equipment, right-of-use assets, contract costs and intangible assets other than goodwill (Continued)

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 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 (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

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. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs of inventories are determined on a weighted average method. Net realizable value represents the contracted selling price less all estimated costs of completion and costs necessary to make the sale.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 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. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date 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 market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at FVTPL) 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 at FVTPL are recognized immediately in profit or loss.

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and 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 asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial assets is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 *Business Combinations* applies.

A financial asset is 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.

In addition, the Group may irrevocably designate a financial asset that is required to be measured at the amortized cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(i) Amortized cost and interest income

Interest income is recognized using the effective interest method for financial assets measured subsequently at amortized cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in OCI and accumulated in FVTOCI reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity instruments, and will be transferred to retained earnings.

Dividends from these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other gains and losses" line item in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets as FVTPL are measured at fair value at the end of each reporting, with any fair value gains or losses recognized in profit or loss. The net gain or loss recognized in profit or loss includes any interest earned on the financial asset and is included in the "other gains and losses" line item.

Impairment of financial assets and other items subject to impairment assessment under IFRS 9

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade receivables, loan receivables, receivables for purchase of raw materials on behalf of customers, other receivables, other financial assets, other long-term deposits, bill receivables, time deposits, pledged bank deposits and bank balances) and other items (finance lease receivables and contract assets) which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognizes lifetime ECL for trade receivables, contract assets and finance lease receivables.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (Continued)

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognizes lifetime ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (Continued)

(i) Significant increase in credit risk (Continued)

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 60 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 180 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (Continued)

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

a) significant financial difficulty of the issuer or the borrower;

b) a breach of contract, such as a default or past due event;

c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or

e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognized in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (Continued)

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with IFRS 16.

Lifetime ECL for certain trade receivables/contract assets/finance lease receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (Continued)

(v) Measurement and recognition of ECL (Continued)

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortized cost of the financial asset.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables, finance lease receivables, receivables for purchase of raw materials on behalf of customers and contract assets where the corresponding adjustment is recognized through a loss allowance account.

Derecognition/modification of financial assets

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 recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. 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 measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the FVTOCI reserve is not reclassified to profit or loss, but is transferred to retained earnings.

A modification of a financial asset occurs if the contractual cash flows are renegotiated or otherwise modified.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Derecognition/modification of financial assets (Continued)

When the contractual terms of a financial asset are modified, the Group assesses whether the revised terms result in a substantial modification from original terms taking into account all relevant facts and circumstances including qualitative factors. If qualitative assessment is not conclusive, the Group considers the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial asset.

For non-substantial modifications of financial assets that do not result in derecognition, the carrying amount of the relevant financial assets will be calculated at the present value of the modified contractual cash flows discounted at the financial assets' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial assets and are amortized over the remaining term. Any adjustment to the carrying amount of the financial asset is recognized in profit or loss at the date of modification.

Financial liabilities and equity

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 Company are recognized at the proceeds received, net of direct issue costs.

Financial liabilities at amortized cost

Financial liabilities including borrowings and trade and other payables are subsequently measured at amortized cost, using the effective interest method.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Derecognition of financial liabilities

The Group derecognizes financial liabilities 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.

Derivative financial instruments

Derivatives are initially recognized at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognized in profit or loss unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Hedge accounting

The Group designates certain derivatives as hedging instruments for fair value hedges and cash flow hedges.

At the inception of the hedging relationship the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

For the purpose of determining whether a forecast transaction (or a component thereof) is highly probable, the Group assumes that the interest rate benchmark on which the hedged cash flows (contractually or non-contractually specified) are based is not altered as a result of interest rate benchmark reform.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Hedge accounting (Continued)

Assessment of hedging relationship and effectiveness

For hedge effectiveness assessment, the Group considers whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

In assessing the economic relationship between the hedged item and the hedging instrument, the Group assumes that the interest rate benchmark on which the hedged cash flows and/or the hedged risk (contractually or non-contractually specified) are based, or the interest rate benchmark on which the cash flows of the hedging instrument are based, is not altered as a result of interest rate benchmark reform.

Fair value hedges

The fair value change on qualifying hedging instruments is recognized in profit or loss.

The carrying amount of a hedged item not already measured at fair value is adjusted for the fair value change attributable to the hedged risk with a corresponding entry in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Hedge accounting (Continued)

Fair value hedges (Continued)

Where hedging gains or losses are recognized in profit or loss, they are recognized in the same line as the hedged item.

The Group separates the intrinsic value and time value of certain forward extra contracts and designates as the hedging instrument only the change in intrinsic value and not the change in its time value. The change in fair value of the time value shall be recognized in other comprehensive income to the extent that it relates to the hedged item and shall be accumulated in a separate component of equity.

Cash flow hedges

The effective portion of changes in the fair value of derivatives instruments that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated under the heading of cash flow hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss, and is included in the "other gains and losses" line item.

For the purpose of reclassifying the amount of gains and losses accumulated in the cash flow hedge reserve in order to determine whether the hedged future cash flows are expected to occur, the Group assumes the interest rate benchmark on which the hedged cash flows (contractually or non-contractually specified) are based is not altered as a result of interest rate benchmark reform.

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognized hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognized in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income. Furthermore, if the Group expects that some or all of the loss accumulated in the cash flow hedging reserve will not be recovered in the future that amount is immediately reclassified to profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Hedge accounting (Continued)

Discontinuation of hedge accounting

The Group discontinues hedge accounting prospectively only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. Discontinuing hedge accounting can either affect a hedging relationship in its entirety or only a part of it (in which case hedge accounting continues for the remainder of the hedging relationship).

For cash flow hedge, any gain or loss recognized in other comprehensive income and accumulated in equity at that time remains in equity and is recognized when the forecast transactions is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

4. CRITICAL ACCOUNTING JUDGEMENTS AND 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 judgements, estimates and assumptions about the carrying amounts of assets that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumption are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations, that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Critical judgements in applying accounting policies (Continued)

Performance obligation determination

A performance obligation represents a good and service that is distinct or a series of distinct goods or services that are substantially the same. In certain long-term sales contracts, the Group is required to fulfil multiple promised goods and/or services. In determining performance obligations, the directors of the Company consider whether the nature of the promise, within the context of the contract, is to transfer each of those goods and/or services individually or, instead, to transfer a combined item. Considering those goods and/or services are considered to be distinct, separately identifiable, the directors of the Company concluded those goods and/or services as multiple performance obligations.

Determination on lease term of contracts with renewal options

The Group applies judgment to determine the lease term for lease contracts in which it is a lessee that include renewal option. The assessment of whether the Group is reasonably certain to exercise renewal options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognized. Re-assessment is performed upon the occurrence of either a significant event or a significant change in circumstances that is within the control of lessee and that affects the assessment.

When assessing reasonable certainty, the Group considers all relevant facts and circumstances including economic incentives/penalties for exercising or not exercising the options. Factors considered include:

- contractual terms and conditions for the optional periods compared with market rates (e.g. whether the amount of payments in the optional periods is below the market rates);

- costs relating to termination of the lease (e.g. relocation costs, costs of identifying another underlying asset suitable for the Group's needs).

During the year ended December 31, 2020, the Group entered into several lease contracts in which the Group is a lessee that include renewal option. The Group determines that it is reasonably certain to exercise the renewal option based on facts and circumstances for the lease, resulted in an additional amount of RMB150,879,000 of right-of-use assets and lease liabilities recognized.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

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.

Provision of ECL for trade receivables and contract assets

The Group uses practical expedient in estimating ECL on trade receivables and contract assets which are not assessed individually using a provision matrix. The provision rates are based on internal credit ratings as groupings of various debtors taking into consideration the Group's historical default rates and forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The management of the Group has considered the impact of Covid-19 pandemic on the average loss rate used in the ECL model as at December 31, 2020. The information about the ECL and the Group's trade receivables and contract assets and are disclosed in Note 36(b).

As at December 31, 2020, the carrying amounts of trade receivables and contract assets are RMB2,332,698,000 and RMB24,069,000 respectively (2019: RMB1,334,640,000 and RMB39,981,000).

Fair value measurements of unlisted equity investments

As at December 31, 2020, certain of the Group's investments in unlisted equity instruments accounted under financial assets at FVTPL and equity instruments at FVTOCI amounting to RMB373,229,000 (2019: RMB282,479,000) and RMB127,167,000 (2019: RMB138,826,000) respectively are measured at fair value being determined based on direct or indirect observable inputs or significant unobservable inputs using valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques and relevant inputs thereof. Changes in assumption relating to these factors could affect the fair values of these instruments. Details of the fair value measurement are disclosed in Note 36(c).

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit (or a group of cash-generating units) and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows or upward revision of discount rate, a material impairment loss may arise.

As at December 31, 2020, the carrying amount of goodwill is RMB185,408,000 (2019: RMB185,408,000). Details of the recoverable amount calculation are disclosed in Note 15.

Estimated impairment of property, plant and equipment, right-of-use assets and intangible assets

Property, plant and equipment, right-of-use assets and intangible assets are stated at costs less accumulated depreciation/amortization and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the cash-generating unit to which the assets belongs, including allocation of corporate assets when a reasonable and consistent basis of allocation can be established, otherwise recoverable amount is determined at the smallest group of cash generating units, for which the relevant corporate assets have been allocated. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect recoverable amounts.

During the year ended December 31, 2020, the management of the Group assessed whether an event, including but not limited to the Covid-19 pandemic impacts, has occurred or any indicators that may affect the asset value and concluded no event has occurred or any indicators that may affect the asset value thus no further impairment assessment on property, plant and equipment, right-of-use assets and intangible assets performed.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Estimated useful lives of property, plant and equipment and intangible assets

The Group determines the estimated useful lives and related depreciation/amortization charges for its property, plant and equipment and intangible assets. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment and intangible assets of similar nature and functions. The Group will increase the depreciation/amortization 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.

Impairment of contract costs

The Group assesses periodically if contract costs may not be recoverable based on an assessment of the remaining amount of consideration the Group expects to receive in exchange of goods or services. Impairment are applied to contract costs where events or changes in circumstances indicate that the remaining amount of consideration to receive less the costs directly related to providing goods or services that have not been recognized as expense is lower than the carrying amount of contract costs. The remaining amount of consideration to receive has been determined based on the remaining amount of consideration expected to be recognized upon the completion of the contract. Where the expectation is different from the original estimate, such difference will impact the carrying value of contract costs in the year in which such estimate changes.

As at December 31, 2020, the carrying amounts of contract costs was RMB392,123,000 (2019: RMB284,235,000) (net of write downs of RMB13,266,000 (2019: RMB9,372,000)).

5. REVENUE

(i) Disaggregation of revenue from contracts with customers

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

	2020 RMB'000	2019 RMB'000
Type of goods or services		
Services		
— Research services on FFS basis	**5,359,823**	3,707,378
— Research services on full-time-equivalent ("FTE") basis	**131,749**	98,941
— Project management organization ("PMO") services	**2,051**	—
	5,493,623	3,806,319
Sales of goods		
— Sales of goods on commercial manufacturing contacts ("CMO") basis	**33,524**	154,041
— Sales of other Biologics Products	**85,237**	23,327
	118,761	177,368
Total	**5,612,384**	3,983,687

	2020 RMB'000	2019 RMB'000
Timing of revenue recognition		
A point in time		
— Research services on FFS basis	**5,343,713**	3,707,378
— Sales of goods on CMO basis	**33,524**	154,041
— Sales of other Biologics Products	**85,237**	23,327
Over time		
— Research services on FFS basis	**16,110**	—
— Research services on FTE basis	**131,749**	98,941
— PMO services	**2,051**	—
Total	**5,612,384**	3,983,687

5. REVENUE (Continued)

(ii) Transaction price allocated to the remaining performance obligation for contracts with customers

The aggregate amount of the transaction price allocated to performance obligations of goods or services type that are unsatisfied (or partially unsatisfied) are approximately RMB73,888 million as at December 31, 2020 (December 31, 2019: RMB35,594 million) including no variable consideration. The management of the Group expects the transaction price allocated to the unsatisfied contracts will be recognized as revenue with approximately RMB6,101 million within one year (December 31, 2019: RMB2,773 million), approximately RMB18,038 million in 2–5 years (December 31, 2019: RMB6,426 million), approximately RMB31,711 million in 5–10 years (December 31, 2019: RMB19,052 million) and the remaining approximately RMB18,038 million will be recognized as revenue over 10 years from the year ended December 31, 2020 (December 31, 2019: RMB7,343 million).

For the purpose of resources allocation and performance assessment, the chief operating decision maker (i.e. the chief executive officer of the Company) reviews the overall results and financial position of the Group as a whole prepared based on the same accounting policies as set out in Note 3. Accordingly, the Group has only one single operating and reportable segment and no further analysis of this single segment is present.

Geographical information

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

	2020 **RMB'000**	2019 RMB'000
Revenue		
— North America	**2,479,155**	2,137,515
— PRC	**2,464,118**	1,407,617
— Europe	**446,604**	311,457
— Rest of the world	**222,507**	127,098
	5,612,384	3,983,687

As at December 31, 2020, the Group's non-current assets located in Ireland, Germany and USA amount to RMB5,835,495,000, RMB962,725,000 and RMB452,971,000 respectively (2019: RMB2,088,621,000, nil and RMB18,156,000 respectively), the remaining of the non-current assets are located in the PRC.

5. REVENUE (Continued)

(ii) Transaction price allocated to the remaining performance obligation for contracts with customers (Continued)

Information about major customers

No revenue from customers contributes over 10% of the total revenue of the Group for both years.

(iii) Performance obligations for contracts with customers

The Group primarily earns revenue by providing research services to its customers through FFS contracts. Contract duration ranges from a few months to years. Majority of FFS contracts entered by the Group contain multiple deliverable units, which are generally in the form of technical laboratory reports and/or samples, each with individual selling price specified within the contract. Usually, the Group identifies each deliverable unit as a separate performance obligation, and recognizes FFS revenue of contractual elements at the point in time upon finalization, delivery and acceptance of the deliverable units or after the end of a confirmation period. Majority of FFS contracts include payment schedules which require stage payments over the research period once certain specified milestones are reached. For majority of FFS contracts, the Group's performance does not create an asset with alternative future use since the Group cannot redirect the asset for use on another customer, and at the same time the Group has a present right to payment from the customers for the services performed only at a point in time upon finalization, delivery and acceptance of the deliverable units, therefore, the directors of the Company have concluded that the performance obligation of such FFS contract is satisfied at a point in time and recognized the FFS revenue at a point in time.

However, starting from this year, for certain FFS contracts, services are delivered to the customers based on the extent of progress towards completion of the performance obligation as the Group's performance does not create an asset with an alternative future use and the contract terms specify that the Group has an enforceable right to payment for performance completed to date. Therefore, revenue generated from such performance is recognized over time using input method.

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. For the services under FTE model, the directors of the Company have assessed that the customers simultaneously receive and consume benefit provided by the Group's performances. Therefore, the performance obligation of FTE services is satisfied over time and FTE revenue is recognized over the service period. The customers shall pay the Group a prorated amount for the service based on the fixed rate per employee.

5. REVENUE (Continued)

(iii) Performance obligations for contracts with customers (Continued)

The Group engages in CMO by manufacture and sale of drug substance and/or products under customers' specific order. For revenue under CMO model, the directors of the Company have determined that performance obligations are satisfied upon customers' acceptance of the deliverable drug substance and/or products. Therefore, the performance obligation of CMO contracts is satisfied at a point in time and the associated revenue is recognized at a point in time upon customers' acceptance of the deliverable drug substance and/or products.

The Group also engages in production and sale of biologics purification medium and chromatographic column ("other Biologics Products") under customers' specific order. For revenue from sales of other Biologics Products, the directors of the Company have determined that performance obligation is satisfied upon customers' acceptance of the Biologics Products. Therefore, the associated revenue is recognized at a point in time upon customers' acceptance of the Biologics Products.

Besides, starting from this year, the Group engages in PMO by providing its customers with the construction project management service on facilities. For the PMO services, the directors of the Company have assessed that the customers simultaneously receive and consume benefit provided by the Group's performances. Therefore, the management of the Group have concluded that the performance obligation on PMO services is satisfied over time and the associated revenue is recognized over the service period using input method.

6. OTHER INCOME

	2020 **RMB'000**	2019 RMB'000
Interest income from banks and other financial assets at amortized cost	**80,864**	63,856
Government grants and subsidies related to		
— Asset (Note i)	**10,953**	10,137
— Income (Note ii)	**127,201**	92,112
Gain on non-refundable option fee	**—**	13,764
Others	**1,119**	—
	220,137	179,869

6. OTHER INCOME (Continued)

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 33.

(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

	2020 **RMB'000**	2019 RMB'000
Net foreign exchange loss	**(91,298)**	(5,967)
Gain on derivative financial instruments	**—**	14,047
Fair value gain on		
— listed equity securities at FVTPL	**341,595**	—
— unlisted equity investments at FVTPL	**3,030**	3,515
Investment income from financial assets at FVTPL	**26,812**	11,896
Others	**3,265**	(1,971)
	283,404	21,520

8. FINANCE COSTS

	2020 **RMB'000**	2019 RMB'000
Interest expense on financing component of advance payments received from a customer	**8,377**	—
Interest expense on bank borrowings	**57,143**	12,427
Interest expense on lease liabilities	**20,901**	12,534
Less: amounts capitalized in the cost of qualifying assets	**(43,689)**	(5,356)
	42,732	19,605

Borrowing costs capitalized during the year arose on the specific borrowings with interest rate of 1.5% to 3.68% per annum (2019: 1.5% to 3.88%) to expenditure on qualifying assets, respectively.

9. PROFIT BEFORE TAX

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

	2020 RMB'000	2019 RMB'000
Depreciation for property, plant and equipment	**358,754**	280,245
Depreciation for right-of-use assets	**68,234**	34,892
	426,988	315,137
Staff cost (including directors' emoluments):		
— Salaries and other benefits	**1,787,662**	1,078,786
— Retirement benefits scheme contributions	**102,849**	100,515
— Share-based payment expenses	**284,177**	203,938
	2,174,688	1,383,239
Impairment losses, net of reversal		
— Trade receivables	**116,679**	5,005
— Contract assets	**(567)**	1,714
— Receivables for purchase of raw materials on behalf of customers	**4,950**	123
	121,062	6,842
Amortization of intangible assets	**32,049**	20,814
Covid-19-related rent concessions	**(484)**	—
Auditors' remuneration	**4,280**	3,600
Write down of inventories (included in cost of sales and services)	**19,341**	3,561
Write down of contract costs (included in cost of sales and services)	**13,266**	9,372
Loss on disposal of property, plant and equipment	**2,660**	1,437
Cost of inventories recognized as an expense	**943,839**	728,042
Less: Capitalized in contract costs, property, plant and equipment	**773,472**	575,015

10. INCOME TAX EXPENSE

	2020 RMB'000	2019 RMB'000
Current tax:		
— the PRC Enterprise Income Tax ("EIT")	**272,590**	174,591
— Hong Kong Profits Tax	**36,061**	11,782
— US Federal and State Income Taxes	**—**	522
— UK Income Taxes	**—**	4
Over provision in prior years:		
— EIT and Hong Kong Profits Tax	**(108,805)**	(54,440)
	199,846	132,459
Deferred tax:		
— Current year	**73,220**	(16,163)
	273,066	116,296

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

Under the two-tiered profits tax rates regime in Hong Kong, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%.

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

WuXi Co., Suzhou Biologics and U-Pure were accredited as a "High and New Technology Enterprise" and entitled to a preferential EIT rate of 15% for each of the two years ended December 31, 2019 and 2020 respectively.

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

Beijing Biologics was accredited as a "Micro and Small Enterprise" and entitled to a preferential taxable income deduction rate of 75% and a preferential EIT rate of 20%.

10. INCOME TAX EXPENSE (Continued)

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

	2020 RMB'000	2019 RMB'000
Profit before tax	**1,965,760**	1,126,633
Tax charge at the EIT rate of 25%	**491,440**	281,658
Tax effect of income that is exempt from taxation	**(148,316)**	(10,191)
Tax effect of expenses not deductible for tax purpose	**254,347**	49,847
Over provision in respect of prior years	**(108,805)**	(54,440)
Effect of research and development expenses that are additionally deducted	**(45,124)**	(45,525)
Effect of unused tax losses not recognized as deferred tax assets	**10,501**	8,793
Utilization of tax losses previously not recognized as deferred tax assets	**(41,619)**	(1,872)
Tax at concessionary rate	**(163,065)**	(103,397)
Effect of different EIT rate applied to deferred tax and current tax	**—**	(2,259)
Effect of different tax rate of operating entities in other jurisdiction	**23,707**	(6,318)
Income tax expense	**273,066**	116,296

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 for the service provided to the Group during the years ended December 31, 2020 and 2019 are as follows:

	2020 RMB'000	2019 RMB'000
Chief Executive and executive director:		
Dr. Zhisheng Chen (Note i)		
— director's fee	**—**	—
— salaries and other benefits	**3,000**	3,003
— performance-based bonus (Note vi)	**1,500**	1,620
— retirement benefits scheme contributions	**—**	—
— share-based compensation	**26,865**	20,573
	31,365	25,196

	2020 RMB'000	2019 RMB'000
Executive director:		
Dr. Weichang Zhou (Note ii)		
— director's fee	**—**	—
— salaries and other benefits	**1,670**	1,545
— performance-based bonus (Note vi)	**668**	800
— retirement benefits scheme contributions	**71**	55
— share-based compensation	**4,668**	3,222
	7,077	5,622

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

11. DIRECTORS', CHIEF EXECUTIVE's AND EMPLOYEES' EMOLUMENTS (Continued)

	2020 RMB'000	2019 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	409	187
	409	187
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	—	—
	—	—

The non-executive directors' emoluments shown above were for their services as directors of the Company or its subsidiaries.

11. DIRECTORS', CHIEF EXECUTIVE's AND EMPLOYEES' EMOLUMENTS (Continued)

	2020 RMB'000	2019 RMB'000
Independent non-executive directors:		
Mr. William Robert Keller (Note iv)		
— director's fee	**200**	297
— salaries and other benefits	**—**	—
— performance-based bonus	**—**	—
— retirement benefits scheme contributions	**—**	—
— share-based compensation	**204**	94
	404	391
Mr. Teh-Ming Walter Kwauk (Note iv)		
— director's fee	**198**	396
— salaries and other benefits	**—**	—
— performance-based bonus	**—**	—
— retirement benefits scheme contributions	**—**	—
— share-based compensation	**268**	—
	466	396
Mr. Kenneth Walton Hitchner III (Note v)		
— director's fee	**203**	—
— salaries and other benefits	**—**	—
— performance-based bonus	**—**	—
— retirement benefits scheme contributions	**—**	—
— share-based compensation	**—**	—
	203	—
Mr. Wo Felix Fong (Notes iv and v)		
— director's fee	**—**	198
— salaries and other benefits	**—**	—
— performance-based bonus	**—**	—
— retirement benefits scheme contributions	**—**	—
— share-based compensation	**141**	187
	141	385

The independent non-executive directors' emoluments shown above were for their services as directors of the Company or its subsidiaries.

11. DIRECTORS', CHIEF EXECUTIVE's AND EMPLOYEES' EMOLUMENTS (Continued)

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.

(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) On June 9, 2020, Mr. Wo Felix Fong retired as independent non-executive director of the Company. On the same day, Mr. Kenneth Walton Hitchner III was appointed as independent non-executive director of the Company instead.

(vi) The performance-based bonus is discretionary based on the Group's financial results and the directors' performance as reviewed by the remuneration committee of the board of the directors of the Company and approved by the board of the directors of the Company.

Five highest paid individuals' emoluments

The five individuals with the highest emoluments in the Group include two (2019: two) directors disclosed above. The emoluments of the five highest paid individuals (including directors) for the years ended December 31, 2020 and 2019 were as follows:

	2020 **RMB'000**	2019 RMB'000
Salaries and other benefits	**10,839**	11,612
Performance-based bonus	**4,105**	4,334
Retirement benefits scheme contributions	**137**	55
Share-based compensation	**44,918**	30,138
	59,999	46,139

11. DIRECTORS', CHIEF EXECUTIVE's AND EMPLOYEES' EMOLUMENTS (Continued)

Five highest paid individuals' emoluments (Continued)

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

	Number of individuals 2020	Number of individuals 2019
HK$4,000,001 to HK$4,500,000	**—**	1
HK$4,500,001 to HK$5,000,000	**1**	—
HK$5,500,001 to HK$6,000,000	**1**	—
HK$6,000,001 to HK$6,500,000	**—**	2
HK$6,500,001 to HK$7,000,000	**—**	1
HK$7,500,001 to HK$8,000,000	**1**	—
HK$14,000,001 to HK$14,500,000	**1**	—
HK$28,500,001 to HK$29,000,000	**—**	1
HK$35,000,001 to HK$35,500,000	**1**	—
	5	5

During the year ended December 31, 2020, no emoluments (2019: 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, 2020 (2019: nil).

12A. EARNINGS PER SHARE

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

	2020 RMB'000	2019 RMB'000
Earnings:		
Earnings for the purpose of calculating basic and diluted earnings per share	**1,688,886**	1,013,805

	2020	2019
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**3,952,963,529**	3,717,119,844
Effect of dilutive potential ordinary shares:		
Share options	**231,435,303**	266,039,109
Restricted shares	**24,770,504**	13,966,146
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**4,209,169,336**	3,997,125,099

The weighted average number of ordinary shares show above have been arrived at after deducting the weighted average effect on 42,434,881 shares (December 31, 2019: 24,554,598 shares) held by a trustee under Restricted Share Award Scheme in Note 34 and after adjusting the effect of Share Subdivision as defined in Note 34 for years ended December 31, 2019 and 2020.

The effect of dilutive potential ordinary shares (i.e. share options and restricted shares) show above and basic and diluted earnings per share were stated after taking into account the effect of the Share Subdivision as defined in Note 34.

Comparative figures have also been restated on the assumption that the Share Subdivision as defined in Note 34 had been effective in prior year.

12B. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended December 31, 2020, nor has any dividend been proposed since the end of the reporting period (2019: nil).

13. PROPERTY, PLANT AND EQUIPMENT

	Machinery RMB'000	Furniture fixtures and equipment RMB'000	Transportation equipment RMB'000	Land, buildings and staff living quarters RMB'000 (Note)	Leasehold improvement RMB'000	Construction in progress ("CIP") RMB'000	Total RMB'000
COST							
As at January 1, 2019	1,473,080	123,996	1,524	—	815,998	1,046,343	3,460,941
Additions	9,237	6,623	—	—	35,176	3,656,404	3,707,440
Acquisition of subsidiaries	7,795	344	397	—	—	—	8,536
Transfer from CIP	521,816	61,188	—	—	302,033	(885,037)	—
Disposals	(8,126)	(1,135)	—	—	—	—	(9,261)
At December 31, 2019	**2,003,802**	**191,016**	**1,921**	**—**	**1,153,207**	**3,817,710**	**7,167,656**
Additions	**6,214**	**7,242**	**—**	**9,787**	**16,197**	**6,084,361**	**6,123,801**
Transfer from CIP	**329,258**	**130,160**	**—**	**484,712**	**135,272**	**(1,079,402)**	**—**
Disposals	**(4,940)**	**(2,637)**	**(125)**	**(193,344)**	**—**	**(1,266)**	**(202,312)**
Exchange alignment	**—**	**—**	**—**	**—**	**—**	**89,586**	**89,586**
At December 31, 2020	**2,334,334**	**325,781**	**1,796**	**301,155**	**1,304,676**	**8,910,989**	**13,178,731**
DEPRECIATION AND IMPAIRMENT							
As at January 1, 2019	(373,166)	(32,979)	(369)	—	(150,260)	—	(556,774)
Provided for the year	(191,821)	(22,631)	(347)	—	(65,446)	—	(280,245)
Eliminated on disposals	6,865	955	—	—	—	—	7,820
At December 31, 2019	**(558,122)**	**(54,655)**	**(716)**	**—**	**(215,706)**	**—**	**(829,199)**
Provided for the year	**(235,596)**	**(35,100)**	**(343)**	**(4,842)**	**(82,873)**	**—**	**(358,754)**
Eliminated on disposals	**3,726**	**1,587**	**80**	**—**	**—**	**—**	**5,393**
At December 31, 2020	**(789,992)**	**(88,168)**	**(979)**	**(4,842)**	**(298,579)**	**—**	**(1,182,560)**
CARRYING VALUES							
At December 31, 2019	1,445,680	136,361	1,205	—	937,501	3,817,710	6,338,457
At December 31, 2020	**1,544,342**	**237,613**	**817**	**296,313**	**1,006,097**	**8,910,989**	**11,996,171**

Note: During the year ended December 31, 2020, the Group disposed the staff living quarters in Shanghai to eligible employees as part of employees' benefits, certain of which are under finance lease arrangement. Details are set out in Note 21.

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

Except for freehold land and CIP, the above items of property, plant and equipment 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
Buildings and staff living quarters	1.4%–4.5% per annum
Leasehold improvement	Over the shorter of the lease term or twenty years

14. RIGHT-OF-USE ASSETS

	Leasehold lands RMB'000	Leased properties RMB'000	Total RMB'000
As at December 31, 2020			
Carrying amount	188,413	685,740	874,153
As at December 31, 2019			
Carrying amount	191,026	266,904	457,930
For the year ended December 31, 2020			
Depreciation charge	3,368	64,866	68,234
Capitalized in contract cost	—	(7,419)	(7,419)
Capitalized in property, plant and equipment	—	(26,721)	(26,721)
	3,368	30,726	34,094
For the year ended December 31, 2019			
Depreciation charge	3,274	31,618	34,892
Capitalized in contract cost	—	(1,131)	(1,131)
Capitalized in property, plant and equipment	—	(5,757)	(5,757)
	3,274	24,730	28,004

14. RIGHT-OF-USE ASSETS (Continued)

	2020 RMB'000	2019 RMB'000
Expense relating to short-term leases	**2,507**	1,184
Total cash outflow for leases	**72,486**	58,773
Additions to right-of-use assets	**490,865**	113,385

For both years, the Group leases various offices, laboratories and plant for its operations. Lease contracts are entered into for fixed term of two to ten years, but may have extension options as described in Note 4. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

Leasehold lands mainly represent upfront payments for leasehold lands in the PRC, for which the Group has obtained the land use right certificates.

The Group regularly entered into short-term leases for equipments and offices. As at December 31, 2020 and 2019, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expenses are disclosed above.

Restrictions or covenants on leases

In addition, lease liabilities of RMB727,224,000 are recognized with related right-of-use assets of RMB685,740,000 as at December 31, 2020 (2019: lease liabilities of RMB292,601,000 and related right-of-use assets of RMB266,904,000). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Rent concessions

During the year ended December 31, 2020, lessors of several offices provided rent concessions to the Group through rent reductions of two months. These rent concessions occurred as a direct consequence of Covid-19 pandemic and met of all of the conditions in IFRS 16.46B, and the Group applied the practical expedient not to assess whether the changes constitute lease modifications. The effects on changes in lease payments due to forgiveness or waiver by the lessors for the relevant leases of RMB484,000 were recognized as negative variable lease payments.

15. GOODWILL

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

For the purposes of goodwill impairment testing, Acquired Companies are allocated as an individual cash generating unit (the "Unit"). The recoverable amount of the Unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and pre-tax discount rate of 17% (2019: 17%). The Unit's cash flows beyond the 5-year period are extrapolated using a steady 3% (2019: 3%) growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations related to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the Unit's past performance and management's expectations for the market development.

Based on the above assessment, management of the Group determines that there is no impairment on the Unit during and at the end of the reporting periods.

16. INVESTMENT IN AN ASSOCIATE

	2020 **RMB'000**	2019 RMB'000
Cost of unlisted equity investment in an associate	**188,324**	33,798
Share of post-acquisition loss and other comprehensive expense	**(487)**	(3,119)
Exchange alignment	**(873)**	—
Other adjustments	**556**	178
	187,520	30,857

16. INVESTMENT IN AN ASSOCIATE (Continued)

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

Name of entity	Country of registration	Principal place of business	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activity
			2020	2019	**2020**	2019	
Shanghai Duoning Biotechnology Co., Ltd. ("Duoning")	PRC	PRC	**15.86%**	8.13%	**20%**	20%	Sales of serum-free media and disposable products, formulation production and services

In April 2019, the Group acquired 9.32% of the equity interest in Duoning from independent third parties for a total purchase price of US$5,000,000 (equivalent to RMB33,798,000). In December 2019, other investors further invested in Duoning and the Group's equity interest was diluted to 8.13%. In December 2020, the Group further acquired 7.73% of the equity interest in Duoning from its shareholders for a purchase price of RMB154,526,000. The Group is able to exercise significant influence over Duoning because it has the power to appoint one out of the five directors of Duoning under the Articles of Association of Duoning.

17. 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:

	2020 **RMB'000**	2019 RMB'000
Deferred tax assets	**80,136**	36,043
Deferred tax liabilities	**(180,885)**	(24,734)
	(100,749)	11,309

17. DEFERRED TAXATION (Continued)

The following are the major deferred tax assets and liabilities recognized and movements thereon before offsetting during the reporting periods:

	Deferred income RMB'000	Allowance on inventories and credit losses RMB'000	Accrued expenses RMB'000	Accelerated tax depreciation RMB'000	Deferred rental under IFRS 16 RMB'000	Fair value adjustment arising from acquisition of subsidiaries RMB'000	Unrealized exchange gain RMB'000	Derivative financial instruments RMB'000	Others RMB'000	Total RMB'000
At January 1, 2019	13,383	10,780	6,125	(10,487)	2,746	—	—	—	—	22,547
Acquisition of subsidiaries	—	—	—	—	—	(27,401)	—	—	—	(27,401)
Credited to profit or loss	5,795	2,512	1,465	2,390	1,307	2,667	—	—	27	16,163
At December 31, 2019	**19,178**	**13,292**	**7,590**	**(8,097)**	**4,053**	**(24,734)**	**—**	**—**	**27**	**11,309**
Credited (charged) to profit or loss	**12,723**	**20,228**	**6,334**	**2,658**	**2,219**	**7,061**	**(124,375)**	**—**	**(68)**	**(73,220)**
Charged to OCI	**—**	**—**	**—**	**—**	**—**	**—**	**(391)**	**(38,447)**	**—**	**(38,838)**
At December 31, 2020	**31,901**	**33,520**	**13,924**	**(5,439)**	**6,272**	**(17,673)**	**(124,766)**	**(38,447)**	**(41)**	**(100,749)**

As at December 31, 2020, the Group had unused tax losses of RMB47,182,000 (2019: RMB88,366,000) available to offset against future profits. No deferred tax asset has been recognized in respect of such losses in both 2020 and 2019 due to the unpredictability of future profit streams.

Apart from unused tax losses as mentioned above, at December 31, 2020, the Group had other deductible temporary differences of RMB504,630,000 (2019: RMB218,947,000), available to offset against future profits. As at December 31, 2020 and 2019, all the deductible temporary differences had been recognized in deferred tax assets.

17. DEFERRED TAXATION (Continued)

The unrecognized tax losses as at December 31, 2020 include RMB41,601,000 (December 31, 2019: RMB69,026,000) of the losses arising from subsidiaries located in Hong Kong, Cayman, USA, UK, Germany and Ireland which will be carried forward indefinitely until it's fully offset. The remaining unrecognized tax losses will be carried forward and expire in years as follows:

	2020 **RMB'000**	2019 RMB'000
2022	**673**	736
2023	**89**	2,172
2024	**3,818**	16,432
2025	**1,001**	—
	5,581	19,340

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 RMB3,280,000,000 as at December 31, 2020 (December 31, 2019: RMB1,950,000,000) 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.

18. INTANGIBLE ASSETS

	Technology RMB'000 (Note i)	Customer relationship RMB'000 (Note i)	Patent and license RMB'000 (Note ii)	Total RMB'000
Cost				
At January 1, 2019	—	—	341,782	341,782
Acquisition of subsidiaries	57,600	47,400	—	105,000
Additions	—	—	1,191	1,191
Exchange alignment	—	—	(1,345)	(1,345)
At December 31, 2019	57,600	47,400	341,628	446,628
Exchange alignment	—	—	9,125	9,125
At December 31, 2020	57,600	47,400	350,753	455,753
Amortization				
At January 1, 2019	—	—	(9,969)	(9,969)
Charge for the year	(1,309)	(2,370)	(17,135)	(20,814)
At December 31, 2019	(1,309)	(2,370)	(27,104)	(30,783)
Charge for the year	(5,236)	(9,480)	(17,333)	(32,049)
Exchange alignment	—	—	(1,064)	(1,064)
At December 31, 2020	**(6,545)**	**(11,850)**	**(45,501)**	**(63,896)**
Carrying Values				
At December 31, 2019	56,291	45,030	314,524	415,845
At December 31, 2020	**51,055**	**35,550**	**305,252**	**391,857**

Notes:

i. Technology and customer relationship were recognized in the acquisition of Acquired Companies in 2019. They represent the intellectual property and existing customer relationships which have finite useful life and are amortized on a straight-line basis over its estimated useful life of 11 and 5 years respectively.

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

19. EQUITY INSTRUMENTS AT FVTOCI

Movement of equity instruments at FVTOCI are as follows:

	RMB'000
Unlisted equity instruments	
As at January 1, 2019	136,578
Exchange alignment	2,248
As at December 31, 2019	138,826
Fair value change	(2,686)
Exchange alignment	(8,973)
As at December 31, 2020	**127,167**

Details of the fair value measurement of the equity instrument at FVTOCI are set out in Note 36(c).

Equity instruments at FVTOCI that are denominated in currencies other than the functional currency of the respective group entities are set out below:

	2020 **RMB'000**	2019 RMB'000
United States Dollars ("US$")	**127,167**	138,826

20A. FINANCIAL ASSETS AT FVTPL

	2020 **RMB'000**	2019 RMB'000
Current assets		
Listed equity securities	**112,403**	—
Wealth management products (Note 20B)	**66**	85,000
Financial assets at FVTPL	**112,469**	85,000
Non-current assets		
Listed equity securities	**385,584**	—
Unlisted equity investments	**373,229**	282,479
Financial assets at FVTPL	**758,813**	282,479

20A. FINANCIAL ASSETS AT FVTPL (Continued)

Details of the fair value measurement of the financial assets at FVTPL are set out in Note 36(c).

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

	2020 **RMB'000**	2019 RMB'000
US$	**752,563**	282,479
Swiss Francs ("CHF")	**16,603**	—
Hong Kong dollars ("HK$")	**7,211**	—

20B. OTHER FINANCIAL ASSETS

During the reporting period, the Group invested in several contracts of wealth management products with banks under which the original maturity terms are within 12 months.

For the wealth management products with returns determined by reference to the performance of the underlying instruments in the currency market, the interbank market, the bond market, the security and equity market and the derivative financial assets, they are recognized as financial assets at FVTPL in Note 20A. The fair value of these wealth management products as at December 31, 2020 is RMB66,000 (December 31, 2019: RMB85,000,000) and their return rates vary from 0.06% to 1.77% per annum (December 31, 2019: 3.15% to 3.5% per annum).

For the wealth management products with principal and return guaranteed at fixed interest rate, they are recognized as other financial assets at amortized costs. The carrying amount of these wealth management products as at December 31, 2020 is nil (December 31, 2019: RMB458,000,000 with fixed interest rates ranged from 3.2% to 3.8% per annum).

21. FINANCE LEASE RECEIVABLES

During the year ended December 31, 2020, the Group entered into finance lease arrangements as lessor in connection with the disposal of certain staff living quarters of the Group to eligible employees. The average terms of finance leases entered is 10 years. All interest rates inherent in the leases are 4.9% at the contract date over the lease terms.

	Minimum lease payments 31/12/2020 RMB'000	Present value of minimum lease payments 31/12/2020 RMB'000
Finance lease receivables comprise:		
Within one year	12,987	8,615
Within a period of more than one year but not exceeding two years	13,115	9,120
Within a period of more than two years but not exceeding five years	39,345	29,808
Within a period of more than five years	55,140	48,744
	120,587	96,287
Less: unearned finance income	24,300	N/A
Present value of minimum lease payment receivables	96,287	96,287
Analyzed as:		
Current	8,615	8,615
Non-current	87,672	87,672
	96,287	96,287

Finance lease receivables are secured over the related staff living quarters. The Group is not permitted to sell or repledge the collateral in the absence of default by the lessees.

Details of impairment assessment are set out in Note 36(b).

22. OTHER LONG-TERM DEPOSITS AND PREPAYMENTS

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

Prepayments represent interest paid for borrowings.

23. INVENTORIES

	2020 **RMB'000**	2019 RMB'000
Raw material and consumables	**1,060,196**	336,906
Work in progress	**11,621**	43,874
Finished goods	**12,375**	18,609
Total	**1,084,192**	399,389

The inventories are net of a write-down of approximately RMB29,608,000 as at December 31, 2020 (2019: RMB10,267,000).

24. CONTRACT COSTS

	2020 **RMB'000**	2019 RMB'000
Costs to fulfil contracts	**392,123**	284,235

The contract costs are net of a write-down of approximately RMB13,266,000 as at December 31, 2020 (2019: RMB9,372,000).

25. TRADE AND OTHER RECEIVABLES

	2020 RMB'000	2019 RMB'000
Trade receivables from contracts with customers		
— related parties	**6,113**	4,184
Less: Allowance for credit losses	**(20)**	(22)
— third parties	**2,504,003**	1,394,856
Less: Allowance for credit losses	**(177,398)**	(64,378)
	2,332,698	1,334,640
Bill receivables from contracts with customers	**5,160**	2,248
Receivables for purchase of raw materials on behalf of customers		
— third parties	**321,987**	87,080
Less: Allowance for credit losses	**(6,087)**	(1,137)
	315,900	85,943
Advances to suppliers	**35,718**	21,565
Prepayments	**6,629**	4,096
Payments for potential acquisition (Note i)	**149,555**	—
Loan receivables (Note ii)	**50,000**	—
Other receivables	**42,996**	42,030
Value added tax recoverable	**303,222**	246,137
	588,120	313,828
Total trade and other receivables	**3,241,878**	1,736,659

Notes:

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

ii. In December 2020, the Group entered into a lending agreement with its associate pursuant to which the Group agree to lend RMB50,000,000 to its associate. The loan receivables with its associate are unsecured, carried interest rate at 3.85% per annum and repayable no later than the end of January 2021. The Group has received full repayment of the principal and interest thereof in January 2021.

25. TRADE AND OTHER RECEIVABLES (Continued)

Details of the trade and other receivables due from related parties are set out in Note 40(2).

As at January 1, 2019, the carrying amount of trade receivables from contracts with customers is RMB762,858,000 (net of allowance for credit losses of RMB56,298,000).

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

	2020 **RMB'000**	2019 RMB'000
Not past due	**1,517,790**	833,005
Within 90 days	**446,644**	309,276
91 days to 1 year	**286,697**	168,467
Over 1 year	**81,567**	23,892
	2,332,698	1,334,640

As at December 31, 2020, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB814,908,000 (2019: RMB501,635,000) which are past due as at the reporting date. Out of the past due balances, RMB368,264,000 (2019: RMB192,359,000) has been past due 90 days or more and is not considered as in default as the amounts will be repaid by the customers based on the customers' promise and historical experience. The Group does not hold any collateral over these balances.

Details of impairment assessment of trade receivables, other receivables, bill receivables, loan receivables and receivables for purchase of raw materials on behalf of customers are set out in Note 36(b).

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

	2020 **RMB'000**	2019 RMB'000
US$	**1,477,146**	1,007,555
Singapore Dollar ("SGD")	**—**	114

26. CONTRACT ASSETS

	2020 RMB'000	2019 RMB'000
Contract assets	**31,854**	48,331
Less: Allowance for credit losses	**(7,785)**	(8,350)
	24,069	39,981

As at January 1, 2019, the carrying amount of contract assets amounted to RMB36,026,000.

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

Typical payment terms which impact on the amount of contract assets recognized are as follows:

— Revenue on FFS basis

The Group's research contracts include payment schedules which require stage payments over the research period once certain specified milestones are reached. The Group requires certain customers to pay 20%–50% of total contract value as project start-up cost as part of its credit risk management policies.

The Group classifies these contract assets as current because the Group expects to realize them in their normal operating cycle.

Details of the impairment assessment of contract assets are set out in Note 36(b).

Contract assets that are denominated in currencies other than the functional currency of the respective group entities are set out below:

	2020 RMB'000	2019 RMB'000
US$	**7,411**	2,998

27. 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% to 2.38% per annum as at December 31, 2020 (2019: 0% to 3.32%).

Certain deposits are pledged to banks as collateral for the issue of standby letter of credit and the letter of guarantee in connection with the Group's purchase of property, plant and equipment. Such bank deposits carry fixed interest rate at 1.75% per annum as at December 31, 2020 (2019: 2.25%).

The time deposits as at December 31, 2020 carried fixed interests rate from 1.25% to 1.70% per annum and have maturity over three months (2019: Nil).

The Group performed impairment assessment on time deposits, pledged bank deposits and bank balances and concluded that the associated credit risk is limited because the counterparties are banks with high credit rating and good reputation.

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:

	2020 **RMB'000**	2019 RMB'000
US$	**4,708,663**	4,814,651
HK$	**310,114**	76,005
EUR	**64**	—

28. TRADE AND OTHER PAYABLES

	2020 RMB'000	2019 RMB'000
Trade payables		
— related parties	**33,212**	9,507
— third parties	**612,790**	176,303
	646,002	185,810
Other payables and accrual		
— related parties	**450**	736
— third parties	**655,299**	230,617
	655,749	231,353
Advance from Vaccine Partner (Note i)	**—**	390,125
Advance from disposal of property, plant and equipment	**—**	47,641
Payable for purchase of property, plant and equipment	**717,100**	695,798
Payable for acquisition of equity interests of an associate	**154,526**	—
Consideration payables for acquisition of subsidiaries	**23,018**	28,702
Salary and bonus payables	**500,993**	257,043
Other taxes payable	**31,155**	7,180
Trade and other payables	**2,728,543**	1,843,652

Note:

(i) During the year of 2019, the Group entered into a letter of intent with an independent global vaccine leader (the "Vaccine Partner"), according to which the Group and the Vaccine Partner were contemplating entering into a contract manufacturing agreement (the "Vaccine Manufacturing Agreement") pursuant to which the Group shall build an integrated vaccine manufacturing facility in Ireland, and manufacture for, and supply to, the Vaccine Partner certain vaccine products. The Group received first instalment of US$55 million (equivalent to RMB390,125,000) in December 2019 and recognized the amount as "advance from Vaccine Partner".

In February 2020, the Group entered into the Vaccine Manufacturing Agreement with the Vaccine Partner. In February and June 2020, the Group received additional instalments of US$45 million from the Vaccine Partner and the total instalments are US$100 million (equivalent to RMB652,490,000) at December 31, 2020, which represents the Group's obligation to provide services to the Vaccine Partner and is recognized as contract liabilities. The contract liabilities are classified as non-current due to the related services will be provided beyond twelve months. The non-current contract liabilities amounted to RMB659,949,000 at December 31, 2020 after considering the financing components and the recognition of revenue during the current year.

28. TRADE AND OTHER PAYABLES (Continued)

Details of the trade and other payables due to related parties are set out in Note 40(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 aging analysis of trade payables presented based on invoice date at the end of the reporting period:

	2020 **RMB'000**	2019 RMB'000
Within three months	**620,291**	165,838
Over three months but within one year	**25,031**	18,764
Over one year but within two years	**680**	1,208
	646,002	185,810

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

	2020 **RMB'000**	2019 RMB'000
US$	**172,817**	150,709
HK$	**262,589**	20,419
EUR	**32,239**	23,355
Japan Yen ("JPY")	**9,892**	135
CHF	**2,833**	6,690

29. CONTRACT LIABILITIES

	2020 **RMB'000**	2019 RMB'000
Contract liabilities	**1,324,812**	336,395
Less: Amounts shown under current liabilities	**664,863**	336,395
Amounts shown under non-current liabilities	**659,949**	—

As at January 1, 2019, contract liabilities amounted to RMB499,743,000.

Revenue of RMB266,896,000 was recognized during the year ended December 31, 2020 that was included in the contract liabilities at the beginning the year of 2020 (2019: RMB451,352,000).

29. CONTRACT LIABILITIES (Continued)

Details of contract liabilities classified as non-current and financing component impact are set out in Note 28(i).

Typical payment terms which impact on the amount of contract liabilities recognized are as follows:

— Revenue on FFS basis

Except for the amount received in advance from the Vaccine Partner as disclosed in Note 28(i), the Group normally requires certain customers to pay a percentage of total contract value as a down payment as project start-up cost as part of its credit risk management policies. The advance payment schemes result in contract liabilities which represent the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

— Revenue on CMO basis

The Group shall invoice client for products and services upon commencement thereof, which will give rise to contracts liability at the start of a contract. The Group normally invoices its clients a percentage of the price on acceptance of manufacturing orders to commence work.

— Revenue from other Biologics Products

The Group normally invoices its clients a percentage of the price on acceptance of other Biologics Products orders to commence work, which will give rise to contract liability at the start of a contract.

Contract liabilities that are denominated in currencies other than the functional currency of the respective group entities are set out below:

	2020 **RMB'000**	2019 RMB'000
US$	**1,028,409**	209,563

30. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

	Assets		Liabilities	
	December 31, 2020 RMB'000	December 31, 2019 RMB'000	**December 31, 2020 RMB'000**	December 31, 2019 RMB'000
Derivatives under hedge accounting				
Fair value hedges				
— Forward extra contracts	**148,330**	—	**25,722**	—
Cash flow hedges				
— Foreign currency forward, collars, cross currency swap and interest rate swap contracts	**313,537**	31,446	**7,649**	16,406
Total	**461,867**	31,446	**33,371**	16,406
Less: current portion	**440,997**	31,446	**26,112**	16,406
Non-current portion	**20,870**	—	**7,259**	—

Derivatives under hedge accounting

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

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

The major terms of these contracts on a net settlement basis as at December 31, 2020 presented are as follows:

	Average strike/ forward rate	**Foreign currency US$'000**	**Total outstanding notional value RMB'000**	**Fair value assets RMB'000**
Sell US$				
Less than 3 months	6.5520-7.1787	120,000	848,501	63,293
4 to 6 months	6.5984-7.2870	215,000	1,535,921	120,476
7 to 12 months	6.6312-6.9715	394,000	2,688,637	71,062

30. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES (Continued)

Derivatives under hedge accounting (Continued)

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

	Strike Rate 1	Strike Rate 2	Foreign currency US$'000	Fair value assets RMB'000
Sell US$				
7 to 12 months	6.9700-7.0000	7.0700-7.1100	99,000	37,836

(iii) The Group entered into a EUR/US$ structured cross currency swap contracts with a bank for interest rate exchange and periodical principal exchange to eliminate the exposure to variable interest rate and exchange rate associated with variable-rate long-term bank borrowing denominated in US$, for the purpose of financing the Group's construction of manufacturing facilities in Europe. The strike rate of EUR/US$ is 1.19 and cap rate is 1.23. The fair value assets of the principle exchange part was RMB20,870,000. The major terms of the interest rate swaps are as follows:

Notional amount EUR'000	Notional amount US$'000	Contract date	Maturity date	Receive	Pay	Fair value liabilities RMB'000
92,000	106,720	March 20, 2020	Every three months from March 2020 to September 2022	LIBOR+1.20%	1.10%	(3,358)

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

Notional amount US$'000	Contract date	Maturity date	Receive	Pay	Fair value liabilities RMB'000
50,000	March 23, 2020	March 23, 2021	LIBOR	0.62%	(391)
100,000	March 24, 2020	September 26, 2022	LIBOR+1.20%	1.77%	(3,900)

30. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES (Continued)

Derivatives under hedge accounting (Continued)

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

	Average strike rate	Knock-in barrier	Notional amount US$'000	Fair value assets RMB'000	Fair value liabilities RMB'000
Sell US$					
7 to 12 months	6.9000-6.9530	7.0200-7.0300	300,000	118,330	(15,199)

	Average strike rate	Knock-in barrier	Notional amount EUR'000	Fair value assets RMB'000	Fair value liabilities RMB'000
Sell EUR					
7 to 12 months	8.1200-8.1300	8.4000-8.4200	300,000	30,000	(10,523)

As at December 31, 2020, the aggregate amount of gains after tax under foreign currency forward contracts, collars contracts, cross currency swap contracts, interest rate swap contracts and forward extra contracts recognized in other comprehensive income and accumulated in the cash flow and fair value hedging reserve relating to the exposure on anticipated future sales transactions, repayment of borrowings and net exposure denominated in US$ and EUR is RMB241,720,000 (December 31, 2019: RMB15,120,000 gains). It is anticipated that the sales and bank borrowings repayment related to foreign currency forward contracts, collars contracts, cross currency swap contracts and interest rate swap contracts will take place within next 21 months (December 31, 2019: 12 months) at which time the amount deferred in equity will be recycled to profit or loss.

During the current year, gains relating to the transactions not actually occurred portion of RMB52,650,000 (2019: RMB7,346,000 losses) is recognized immediately in profit or loss, and is included as "net foreign exchange loss" in other gains and losses.

During the current year, amounts previously recognized in credit side of other comprehensive income and accumulated in equity of RMB85,795,000 (2019: debit RMB9,550,000) are reclassified to revenue when the hedged item affects profit or loss.

31. BORROWINGS

	2020 RMB'000	2019 RMB'000
Secured bank loans	**85,100**	—
Unsecured bank loans	**2,519,649**	1,901,347
	2,604,749	1,901,347
The carrying amounts of the above borrowings are repayable*:		
Within one year	**767,126**	506,107
Within a period of more than one year but not exceeding two years	**1,770,923**	139,524
Within a period of more than two years but not exceeding five years	**27,600**	1,255,716
Within a period of more than five years	**39,100**	—
	2,604,749	1,901,347
Less: Amounts due within one year shown under current liabilities	**(767,126)**	(506,107)
Amounts shown under non-current liabilities	**1,837,623**	1,395,240

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

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

	2020 RMB'000	2019 RMB'000
Fixed-rate borrowings	**85,100**	280,000
Variable-rate borrowings	**2,519,649**	1,621,347
	2,604,749	1,901,347

The Group's variable-rate borrowings carry interest at LIBOR plus 1.1% and 1.74%, and European Central Bank Rate plus 1.5%. Interest is reset each one to three months based on the contracts.

31. BORROWINGS (Continued)

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

	2020	2019
Effective interest rate:		
Fixed-rate borrowings	**3.70% to 4.90%**	3.70% to 3.92%
Variable-rate borrowings	**1.25% to 3.68%**	1.50% to 3.88%

The Group's bank borrowings that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2020 **RMB'000**	2019 RMB'000
US$	**2,283,715**	1,409,192

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

	2020 **RMB'000**	2019 RMB'000
Floating rate		
— expiring within one year	**331,061**	775,740
— expiring beyond one year	**652,490**	697,620
Fixed rate		
— expiring within one year	**—**	160,000
	983,551	1,633,360

At December 31, 2020, the Group's borrowings is in the process of securing the property, plant and equipment as collaterals with carrying amounts of RMB42,147,000 (2019: N/A).

32. LEASE LIABILITIES

	2020 RMB'000	2019 RMB'000
Lease liabilities payable:		
Within one year	**60,711**	26,489
Within a period of more than one year but not exceeding two years	**61,172**	28,057
Within a period of more than two year but not exceeding five years	**188,031**	79,591
Within a period of more than five years	**417,310**	158,464
	727,224	292,601
Less: Amounts due within one year shown under current liabilities	**(60,711)**	(26,489)
Amounts shown under non-current liabilities	**666,513**	266,112

The weighted average incremental borrowing rates applied to lease liabilities range from 1.5% to 4.9% per annum (2019: from 4.75% to 4.9%).

33. DEFERRED INCOME

	2020 RMB'000	2019 RMB'000
Assets related government grants	**211,949**	146,524
Income related government grants	**1,791**	2,361
	213,740	148,885

Movements of government grants:

	Assets related RMB'000	Income related RMB'000	Total RMB'000
At January 1, 2019	77,408	—	77,408
Government grants received	79,253	94,473	173,726
Credited to profit or loss (Note 6)	(10,137)	(92,112)	(102,249)
At December 31, 2019	146,524	2,361	148,885
Government grants received	**75,368**	**126,631**	**201,999**
Credited to profit or loss (Note 6)	**(10,953)**	**(127,201)**	**(138,154)**
Exchange alignment	**1,010**	**—**	**1,010**
At December 31, 2020	**211,949**	**1,791**	**213,740**

During the year ended December 31, 2020, the Group received government grants of RMB75,368,000 (2019: RMB79,253,000) for its investment in laboratory equipment. The grants were recognized in profit or loss over the useful lives of the relevant assets.

34. SHARE CAPITAL

AUTHORIZED:

	Number of shares	Par value US$	Authorized share capital US$
At January 1, 2019 and December 31, 2019	2,000,000,000	0.000025	50,000
Share subdivision (Note iii)	4,000,000,000		—
At December 31, 2020	6,000,000,000	1/120,000	50,000

ISSUED AND FULLY PAID:

	Number of shares	Amount US$	Shown in the financial statements as RMB'000
At January 1, 2019	1,225,941,390	30,649	202
Issue of new shares (Note i)	54,684,866	1,368	10
Exercise of pre-IPO share options	13,899,730	347	2
At December 31, 2019	1,294,525,986	32,364	214
Issue of new shares (Note ii)	**51,882,141**	**1,296**	**9**
Exercise of pre-IPO share options prior to the Share Subdivision	**14,317,347**	**358**	**1**
Share subdivision (Note iii)	**2,721,450,948**	**—**	**—**
Exercise of pre-IPO share options after the Share Subdivision	**2,586,638**	**22**	**1**
At December 31, 2020	**4,084,763,060**	**34,040**	**225**

34. SHARE CAPITAL (Continued)

ISSUED AND FULLY PAID: (Continued)

Notes:

i. On May 30, 2019, the Company issued and allotted 8,184,866 new ordinary shares at nil consideration to trustee under the Restricted Share Award Scheme. Details of the Restricted Share Award Scheme are set out in Note 41. On November 8, 2019, the Company issued 46,500,000 new ordinary shares of US$0.000025 each through placement to certain independent third parties at a price of HK$85.00 per share. The net cash proceeds was HK$3,928,760,000 (equivalent to approximately RMB3,512,221,000), after deducting the issue cost of HK$23,740,000 (equivalent to approximately RMB21,393,000).

ii. On June 1, 2020, the Company issued and allotted 6,882,141 new ordinary shares at nil consideration to trustee under the Restricted Share Award Scheme. Details of the Restricted Share Award Scheme are set out in Note 41. On July 8, 2020, the Company issued 45,000,000 new ordinary shares of US$0.000025 each through placement to certain independent third parties at a price of HK$137.00 per share. The net cash proceeds was HK$6,121,994,000 (equivalent to approximately RMB5,545,791,000), after deducting the issue cost of HK$43,006,000 (equivalent to approximately RMB38,959,000).

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

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

35. CAPITAL RISK 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 net debt, which includes borrowings and lease liabilities disclosed in Notes 31 and 32 respectively, net of cash and cash equivalents, and 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 issue of new shares as well as the issue of new debts or the redemption of existing debts.

36. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2020 RMB'000	2019 RMB'000
Financial assets		
Financial assets at amortized cost	**11,671,943**	8,579,104
Financial assets at FVTPL	**871,282**	367,479
Equity instruments at FVTOCI	**127,167**	138,826
Derivative financial assets	**461,867**	31,446
Financial liabilities		
Derivative financial liabilities	**33,371**	16,406
Financial liabilities at amortized cost	**4,590,977**	2,683,200
Lease liabilities	**727,224**	292,601

b. Financial risk management objectives and policies

The Group's major financial assets and liabilities include trade and other receivables, bill receivables, other long-term deposits, financial assets at FVTPL, equity instruments at FVTOCI, derivative financial assets, other financial assets, time deposits, pledged bank deposits, bank balances and cash, derivative financial liabilities, borrowings, trade and other payables and lease liabilities. 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, 2020.

Currency risk

Certain group entities have foreign currency transactions, including 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, trade and other payables and borrowings 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.

36. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

Currency risk (Continued)

The Group mainly exposes to foreign currency of US$, EUR, HK$, JPY and CHF. The Group entered into several foreign currency forward contracts, collars contracts, cross currency swap contracts with banks in order to manage the Group's currency risk associated with anticipated sales transactions and repayment of bank borrowings up to 21 months (2019: 12 months). During the year ended December 31, 2020, the Group also entered into several forward extra contracts with a bank in order to manage the Group's currency risk associated with net exposure denominated in currencies at US$ and EUR up to 12 months (see Note 30 for details).

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

	2020 **RMB'000**	2019 RMB'000
Assets		
US$	**6,185,809**	5,822,206
HK$	**310,114**	76,005
EUR	**64**	—
SGD	**—**	114
Liabilities		
US$	**2,456,532**	1,559,901
HK$	**262,589**	20,419
EUR	**32,239**	23,355
JPY	**9,892**	135
CHF	**2,833**	6,690

In current year, the Group entered into several forward extra contracts in relation to the net exposure to US$ with notional amount of US$300,000,000 (equivalent to RMB1,957,470,000) which are designated as effective hedging relationship. In addition, the Group also entered into several forward extra contracts in relation to the net exposure to EUR for intra-group borrowings with notional amount of EUR300,000,000 (equivalent to RMB2,407,500,000) which are designated as effective hedging relationship. It is the Group's policy to negotiate the terms of the hedge derivatives, to the extent possible, to match or approximate the terms of the hedged items to maximize hedge effectiveness.

36. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

Currency risk (Continued)

Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against US$, HK$ and EUR, the foreign currencies with which the Group may have a material exposure. No sensitivity analysis has been disclosed for the JPY 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 negative number below indicates a decrease in post-tax profit where RMB strengthens 5% against US$ and HK$ while a positive number indicates an increase in post-tax profit where RMB strengthens 5% against EUR.

	2020 **RMB'000**	2019 RMB'000
Impact on profit or loss before hedging sensitivity:		
US$	**(160,350)**	(191,164)
HK$	**(2,043)**	(2,493)
EUR	**1,384**	1,048

After considering that the net exposure to US$ are hedged through several forward extra contracts with notional amount of US$300,000,000 (equivalent to RMB1,957,470,000), if the RMB strengthens 5% against US$, the Group's post-tax profit would decrease by RMB76,183,000 for the year ended December 31, 2020.

36. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings (see Note 31 for details) and fixed-rate pledged bank deposits (see Note 27 for details) and lease liabilities (see Note 32 for details). The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances (see Note 27 for details) and variable-rate bank borrowings (see Note 31 for details). The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances, LIBOR and European Central Bank Rate arising from the Group's bank borrowings. The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook. The management will review the proportion of borrowings in fixed and floating rates and ensure they are within reasonable range. During the year ended December 31, 2020, the Group entered into interest rate swaps with banks to minimize its exposure to interest rate fluctuation on its variable-rate bank borrowings.

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates with alternative nearly risk-free rates. Several of the Group's LIBOR bank loans will be subject to the interest rate benchmark reform. The Group is closely monitoring the transition to new benchmark interest rates.

Bank balances, pledged bank deposits and variable-rate bank borrowings are excluded from sensitivity analysis as the directors of the Company consider that the exposure of cash flow interest rate arising from variable-rate bank balances and pledged bank deposits is insignificant. A 50 basis point (2019: 50 basis points) increase or decrease in variable-rate bank borrowings are used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

36. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

Other price risk

The Group is exposed to other price risk through its equity instruments measured at FVTOCI and financial assets at FVTPL. The management manages this exposure by maintaining a portfolio of investments with different risks. 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 equity instruments measured at FVTOCI is insignificant, therefore no sensitivity analysis on such risk has been prepared.

Sensitivity analysis

The sensitivity analysis have been determined based on the exposure to equity price risk at the reporting date.

If the prices of the respective financial assets at FVTPL had been 10% (2019: Nil) higher/lower, the post-tax profit for the year ended December 31, 2020 would increase/decrease by RMB34,463,000 (2019: Nil) as a result of the changes in fair value of listed and unlisted financial assets at FVTPL.

Credit risk and impairment assessment

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. At the end of each reporting period, the Group's maximum exposure to credit risk which cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognized financial assets as stated in the consolidated statement of the financial position.

36. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

In order to minimize credit risk, the Group has developed and maintained the Group's credit risk grading to categorize exposures according to their degree of risk of default. Management uses publicly available financial information and the Group's own historical repayment records to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group's current credit risk grading framework comprises the following categories:

Internal credit rating	Description	Trade receivables/ contract assets/finance lease receivables	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past due amounts	Lifetime ECL-not credit-impaired	12-month ECL
Watch list	Debtor frequently repays after due dates but usually settle after due date in full	Lifetime ECL-not credit-impaired	12-month ECL
Doubtful	There has been a significant increase in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL-not credit-impaired	Lifetime ECL-not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL-credit-impaired	Lifetime ECL-credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

36. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The tables below detail the credit risk exposures of the Group's financial assets, contract assets and finance lease receivables which are subject to ECL assessment:

	Internal credit rating	12-month or lifetime ECL	2020 Gross carrying amount RMB'000	2019 Gross carrying amount RMB'000
Financial assets at amortized cost				
Time deposits	Low risk	12-month ECL	**1,272,356**	—
Pledged bank deposits	Low risk	12-month ECL	**528,787**	431,640
Bank balances	Low risk	12-month ECL	**7,095,735**	6,205,496
Other financial assets	Low risk	12-month ECL	**—**	458,000
Other receivables	Low risk	12-month ECL	**42,996**	42,030
Loan receivables	note 4	12-month ECL	**50,000**	—
Receivables for purchase of raw materials on behalf of customers	note 1	12-month ECL	**184,692**	87,080
Receivables for purchase of raw materials on behalf of customers	note 1	Lifetime ECL (not credit-impaired)	**137,295**	—
Trade receivables	note 2	Lifetime ECL (provision matrix)	**2,200,522**	1,399,040
Trade receivables	note 2	Lifetime ECL (individually assess)	**309,594**	—
Bill receivables	note 3	12-month ECL	**5,160**	2,248
Other long-term deposits	Low risk	12-month ECL	**28,310**	19,107
Other items				
Contract assets	note 2	Lifetime ECL (provision matrix)	**31,854**	48,331
Finance lease receivables	note 5	Lifetime ECL (provision matrix)	**96,287**	—

36. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Notes:

1. For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

2. For trade receivables and contract assets, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. Except for the customers which are assessed individually, the Group determines the ECL on these items by using a provision matrix and meanwhile categorizes its customers into three types: strategic type customers, normal risk type customers and high risk type customers, based on financial quality of debtors and historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions.

3. For bill receivables issued by banks, the Group assessed impairment loss individually and concluded that the probability of defaults of the counterparty banks are insignificant and accordingly, no allowance for credit losses is provided.

4. For loan receivables from an associate, the Group assessed the impairment loss by reviewing the financial position and performance of the associate and concluded that the probability of defaults of an associate is insignificant and accordingly, no allowance for credit losses is provided.

5. For finance lease receivables, the Group considered that as the finance lease receivables are secured over the related staff living quarters, the probability of defaults of the employees are insignificant and accordingly, no allowance for credit losses is provided.

Trade receivables and contract assets

The Group performs impairment assessment under ECL model on trade receivables with significant balances and different credit risk characteristics individually and/or collectively using provision matrix with appropriate groupings. Except for items which are assessed for impairment individually, the remaining trade receivables and contract assets are grouped based on shared credit risk characteristics by reference to the Group's internal credit ratings. As of December 31, 2020, the Group provided RMB57,113,000 and RMB7,785,000 (2019: RMB64,400,000 and RMB8,350,000) impairment allowance for trade receivables and contract assets respectively, based on the provision matrix. Impairment allowance of RMB120,305,000 and RMBnil (2019: nil) were assessed individually on the trade receivables and contract assets with gross carrying amount of RMB309,594,000 and RMBnil respectively.

36. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Trade receivables and contract assets (Continued)

The following table provides information about the exposure to credit risk for trade receivables and contract assets which are assessed based on provision matrix as at December 31, 2020 within lifetime ECL:

Gross carrying amount	2020			2019		
Internal credit rating	Average loss rate	Trade receivables RMB'000	Contract assets RMB'000	Average loss rate	Trade receivables RMB'000	Contract assets RMB'000
Grade A: Low risk and watch list	0.04%	1,533,125	20,473	0.06%	957,601	16,351
Grade B: Doubtful	4.17%	637,432	3,802	3.52%	391,471	24,459
Grade C: Loss	100%	29,965	7,579	100%	49,968	7,521
		2,200,522	31,854		1,399,040	48,331

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management of the Company to ensure relevant information about specific debtors is updated. The contract assets have substantially the same risk characteristics as the trade receivables for the same type of contracts. The Group has therefore concluded that the loss rates for trade receivables are a reasonable approximation of the loss rates for contract assets. The management of the Group has considered the impact of Covid-19 pandemic for the average loss rate used in the ECL model.

36. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Trade receivables and contract assets (Continued)

The following table shows the movement in lifetime ECL that has been recognized for trade receivables and contract assets under the simplified approach.

	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
As at January 1, 2019	(5,090)	(57,839)	(62,929)
Acquisition of subsidiaries	(509)	(2,057)	(2,566)
Changes due to financial instruments recognized as at January 1, 2019:			
— Impairment losses reversed	4,485	41,360	45,845
— Write-offs	200	53	253
New financial assets originated or purchased	(13,558)	(39,006)	(52,564)
Exchange alignment	(789)	—	(789)
As at December 31, 2019	(15,261)	(57,489)	(72,750)
Changes due to financial instruments recognized as at January 1, 2020:			
— Transfer to credit-impaired	**969**	**(969)**	**—**
— Impairment losses reversed	**3,060**	**22,080**	**25,140**
— Write-offs	**3,139**	**—**	**3,139**
New financial assets originated or purchased	**(62,352)**	**(78,900)**	**(141,252)**
Exchange alignment	**520**	**—**	**520**
As at December 31, 2020	**(69,925)**	**(115,278)**	**(185,203)**

36. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Trade receivables and contract assets (Continued)

The following table shows the reconciliation of loss allowances that has been recognized for receivables for purchase of raw materials on behalf of customers.

	12-month ECL RMB'000	Lifetime ECL (not credit-impaired) RMB'000	Total RMB'000
As at January 1, 2019	(1,014)	—	(1,014)
Changes due to financial instruments recognized as at January 1, 2019:			
— Impairment losses reversed	816	—	816
New financial assets originated or purchased	(939)	—	(939)
As at December 31, 2019	(1,137)	—	(1,137)
Changes due to financial instruments recognized as at January 1, 2020:			
— Transfer to lifetime ECL	**584**	**(584)**	**—**
— Impairment losses reversed	**466**	**248**	**714**
New financial assets originated or purchased	**(686)**	**(4,978)**	**(5,664)**
As at December 31, 2020	**(773)**	**(5,314)**	**(6,087)**

For the purposes of impairment assessment, other financial assets are considered to have low credit risk. Accordingly, for the purpose of impairment assessment for these financial assets, the loss allowance is measured at an amount equal to 12-month ECL. In determining the ECL for these financial assets at amortized cost, the directors of the Company have taken into account the historical default experience and the future prospects of the industries and/or considering various external sources of actual and forecast economic information, as appropriate, in estimating the probability of default of each of the other financial assets at amortized cost occurring within their respective loss assessment time horizon, as well as the loss upon default in each case. The directors of the Company considered that the 12-month ECL allowance is insignificant at the end of each reporting period.

36. 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 management of the Group monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a source of liquidity. As at December 31, 2020, the Group has available unutilized bank loan facilities of approximately RMB983,551,000 (2019: RMB1,633,360,000). Details of which are set out in Note 31.

The following table details the Group's remaining contractual maturity for its financial liabilities and derivative instrument. 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. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

36. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash (inflows) and outflows on derivative instruments that settle on a net basis. When the amount payable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the end of the reporting period. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual settlement dates as the management consider that the settlement dates are essential for an understanding of the timing of the cash flows of derivatives.

	Weighted average interest rate	On 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
2020						
Trade and other payables	N/A	1,985,548	680	—	1,986,228	1,986,228
Bank borrowings						
— fixed rate	3.70% to 4.90%	13,126	47,995	43,091	104,212	85,100
— variable rate	1.25% to 3.68%	812,814	1,784,468	—	2,597,282	2,519,649
Total financial liabilities		2,811,488	1,833,143	43,091	4,687,722	4,590,977
Lease liabilities	1.5% to 4.9%	84,056	318,683	475,064	877,803	727,224
		2,895,544	2,151,826	518,155	5,565,525	5,318,201
Derivative — gross settlement						
Interest rate swap contracts		—	3,358	—	3,358	3,358
Derivative — net settlement						
Interest rate swap and forward extra contracts		26,112	3,901	—	30,013	30,013

36. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

	Weighted average interest rate	On 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
2019						
Trade and other payables	N/A	780,645	1,208	—	781,853	781,853
Bank borrowings						
— fixed rate	3.70% to 3.92%	287,056	—	—	287,056	280,000
— variable rate	1.50% to 3.88%	272,195	1,463,705	—	1,735,900	1,621,347
Total financial liabilities		1,339,896	1,464,913	—	2,804,809	2,683,200
Lease liabilities	4.75% to 4.9%	39,916	148,910	193,999	382,825	292,601
		1,379,812	1,613,823	193,999	3,187,634	2,975,801
Derivative — net settlement						
Foreign exchange forward contracts		16,406	—	—	16,406	16,406

Some of the Group's financial instruments are measured at fair value for financial reporting purposes. The directors of the Company have set up a valuation committee, which is headed up by the Chief Financial Officer of the Company, to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The valuation committee works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The Chief Financial Officer reports the valuation committee's findings to the directors of the Company every quarter to explain the cause of fluctuations in the fair value.

36. FINANCIAL INSTRUMENTS (Continued)

c. Fair value measurements of financial instruments

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

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique and key inputs
	December 31, 2020	December 31, 2019		
Financial assets at FVTPL	**Listed equity securities: RMB497,987,000**	Nil	Level 1	Active market quoted transaction price (Note a)
	Unlisted equity investments: RMB267,247,000	Unlisted equity investments: RMB205,476,000	Level 2	Recent transaction price (Note b)
	Unlisted equity investments: RMB75,982,000	Unlisted equity investments: RMB77,003,000	Level 3	Backsolve from recent transaction price
	Unlisted equity investments: RMB30,000,000	Nil	Level 3	Comparable company method
	Wealth equity management products: RMB66,000	Wealth equity management products: RMB85,000,000	Level 3	Discounted cash flows method, estimated based on expected return and market interest rate.
Equity instruments at FVTOCI	**Unlisted equity investments: RMB127,167,000**	Unlisted equity investments: RMB138,826,000	Level 3	Comparable company method
Foreign currency forward contracts, collars contracts, cross currency swap contracts, interest rate swap contracts and forward extra contracts classified as derivative financial assets and liabilities	**Derivative financial assets: RMB461,867,000** **Derivative financial liabilities: RMB33,371,000**	Derivative financial assets: RMB31,446,000 Derivative financial liabilities: RMB16,406,000	Level 2	Discounted cash flows. Future cash flows are estimated based on forward exchange rates and contracted forward rates, and forward variable interest rates and contracted fixed interest rate, discounted at a rate that reflects the credit risk of the banks.

36. FINANCIAL INSTRUMENTS (Continued)

c. Fair value measurements of financial instruments (Continued)

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

Notes:

(a) Certain unlisted equity investments as at December 31, 2019 became listed on NASDAQ market in 2020, with the shares traded in an active market. Therefore, the fair value of these investments as at December 31, 2020 was determined based on the market price and classified as Level 1 of the fair value hierarchy.

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

(ii) Reconciliation of Level 3 fair value measurements of financial assets

	Equity instruments at FVTOCI RMB'000	Financial assets at FVTPL RMB'000
At January 1, 2020	138,826	162,003
Total gains (losses)		
— in profit or loss	—	29,630
— in other comprehensive income	(2,686)	—
Disposals	—	(16,571,311)
Purchases	—	16,534,527
Exchange alignment	(8,973)	(48,801)
At December 31, 2020	127,167	106,048

36. FINANCIAL INSTRUMENTS (Continued)

c. Fair value measurements of financial instruments (Continued)

(iii) Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

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

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

37. CAPITAL COMMITMENTS

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

	2020 **RMB'000**	2019 RMB'000
Contracted but not provided for		
Land, property, plant and equipment	**3,622,219**	3,744,458
Acquisition of an associate	**200,000**	—
Financial assets at FVTPL	**97,874**	118,595
	3,920,093	3,863,053

38. RETIREMENT BENEFIT PLANS

The employees of the Group's subsidiaries are members of the state-managed retirement benefits schemes operated by government. The 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 RMB102,849,000 for the year ended December 31, 2020 (2019: RMB100,515,000).

39. RECONCILIATION OF LIABILITIES/(ASSETS) 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 (assets) 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.

	Bank borrowings RMB'000	Interest prepayments and payable RMB'000	Lease liabilities RMB'000	Total RMB'000
At January 1, 2019 (restated)	—	—	229,090	229,090
Financing cash flows	1,909,825	(49,801)	(22,174)	1,837,850
Interest expenses	—	24,961	—	24,961
Acquisition of subsidiaries	—	—	2,645	2,645
New leases entered	—	—	87,841	87,841
Early terminated lease	—	—	(4,801)	(4,801)
Exchange alignment	(8,478)	369	—	(8,109)
At December 31, 2019	**1,901,347**	**(24,471)**	**292,601**	**2,169,477**
Financing cash flows	**870,458**	**(61,643)**	**(69,979)**	**738,836**
Interest expenses	**—**	**65,520**	**20,901**	**86,421**
New leases entered	**—**	**—**	**490,865**	**490,865**
Covid-19-related rent concessions	**—**	**—**	**(484)**	**(484)**
Early terminated lease	**—**	**—**	**(6,680)**	**(6,680)**
Exchange alignment	**(167,056)**	**(27)**	**—**	**(167,083)**
At December 31, 2020	**2,604,749**	**(20,621)**	**727,224**	**3,311,352**

The financing cash flows of bank borrowings represent the proceeds from and repayment of bank borrowings in the consolidated statement of cash flows.

40. RELATED PARTY TRANSACTIONS AND BALANCES

In addition to the balances disclosed in Notes 25, 28 and 32, the Group had the following significant transactions and balances with related parties:

(1) Related party transactions:

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

	2020 RMB'000	2019 RMB'000
WuXi MedImmune Biopharmaceutical Co., Ltd. ("WX MedImmune")	**5,580**	12,558
WuXi AppTec (Shanghai) Co., Ltd. ("WXAT Shanghai")	**1,498**	417
WuXi ZeKang Biotechnology (Suzhou) Co., Ltd.	**264**	—
WuXi AppTec (Suzhou) Co., Ltd. ("WASZ")	**42**	—
Hejing Pharmaceutical Technology (Shanghai) Co., Ltd.	**22**	205
JW Therapeutics (Shanghai) Co., Ltd. ("JW Therapeutics")	**—**	499
	7,406	13,679

Note:

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

JW Therapeutics is an associate held by WAHK.

Hejing Pharmaceutical Technology (Shanghai) Co., Ltd. is an associate held by WXAT Shanghai, an indirect wholly-owned subsidiary of WuXi AppTec Co., Ltd.

JW Therapeutics and Hejing Pharmaceutical Technology (Shanghai) Co., Ltd. are no longer the related parties of the Group since May 21, 2020. The transactions for the current year disclosed above represented the transactions from January 1, 2020 to May 20, 2020. Details of the change of related party relationship are disclosed in Note 40(2).

40. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(1) Related party transactions: (Continued)

(b) Provision of materials to related parties

	2020 **RMB'000**	2019 RMB'000
WuXi ATU Co., Ltd.	**1,393**	796
Duoning (Note)	**—**	10
	1,393	806

Note: As disclosed in Note 16, Duoning is an associate of the Group.

(c) Testing service received

	2020 **RMB'000**	2019 RMB'000
WASZ	**45,444**	5,801
WuXi NextCode Genomics (Shanghai) Co., Ltd. ("NextCode Shanghai")	**2,502**	693
WXAT Shanghai	**1,273**	3,159
Shanghai STA Pharmaceutical R&D Co., Ltd. ("STA RD")	**87**	—
WuXi Diagnostic Medical Testing Institute (Shanghai) Co., Ltd.	**78**	—
WuXi AppTec (Nantong) Co., Ltd. ("WXAT Nantong")	**37**	—
Abgent Biotechnology (Suzhou) Co., Ltd.	**28**	—
WuXi AppTec, Inc.	**—**	2,972
WuXi AppTec HDB LLC ("HDB")	**—**	906
WuXi Clinical Development Services (Shanghai) Co., Ltd.	**—**	202
	49,449	13,733

40. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(1) Related party transactions: (Continued)

(d) Other services received

	2020 RMB'000	2019 RMB'000
WXAT Shanghai	**4,809**	939
WuXi AppTec Sales LLC ("Sales LLC")	**3,764**	—
WuXi AppTec Korea Co., Ltd.	**1,710**	—
Chengdu Kangde Renze Real Estate Co., Ltd.	**189**	—
	10,472	939

(e) Purchase of materials, plant and equipment

	2020 RMB'000	2019 RMB'000
Duoning	**43,969**	13,689
Shanghai Lianghei Technology CO., LTD. (Note)	**4,593**	—
WXAT Shanghai	**238**	—
Shanghai SynTheAll Pharmaceutical Co., Ltd. ("STA")	**73**	112
STA RD	**4**	—
	48,877	13,801

Note: Shanghai Lianghei Technology CO., LTD. became a subsidiary of Duoning since June 2020. The transactions for the current year disclosed above represented the transactions from June to December 2020.

40. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(1) Related party transactions: (Continued)

(f) Interest expenses on lease liabilities

	2020 RMB'000	2019 RMB'000
NextCode Shanghai	300	—
Shanghai Waigaoqiao WuXi AppTec Incubator Management Co., Ltd. ("WXAT Incubator")	135	201
WXAT Shanghai	32	90
	467	291

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

(g) Expenses relating to short-term leases

	2020 RMB'000	2019 RMB'000
Shijiazhuang MingMa Medical Laboratory Co., Ltd. (Note)	57	—
Sales LLC	—	153
	57	153

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

(h) Loan and related interest income

	2020 RMB'000	2019 RMB'000
Duoning		
— Loan	50,000	—
— Interest income	112	—
	50,112	—

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

40. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(2) Related party balances:

As at December 31, 2020 and 2019, the Group had balances with related parties as follows:

	2020 RMB'000	2019 RMB'000
Amounts due from related parties		
Trade related		
WX MedImmune	**5,346**	3,535
Less: Allowance for credit losses	**(20)**	(1)
WXAT Shanghai	**767**	117
Duoning	**—**	12
WuXi ATU Co., Ltd.	**—**	520
Less: Allowance for credit losses	**—**	(21)
	6,093	4,162

	2020 RMB'000	2019 RMB'000
Loan and interest receivables		
Duoning	**50,112**	—

The loan receivables with Duoning are unsecured, carried interest rate at 3.85% per annum and repayable no later than the end of January 2021. The Group has received full repayment in January 2021.

40. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(2) Related party balances: (Continued)

	2020 RMB'000	2019 RMB'000
Amounts due to related parties		
Trade related		
WASZ	**15,748**	5,801
Duoning	**15,023**	2,810
Shanghai Lianghei Technology CO., LTD.	**1,808**	—
NextCode Shanghai	**364**	—
WXAT Shanghai	**138**	405
STA RD	**92**	—
WXAT Nantong	**39**	—
HDB	**—**	491
	33,212	9,507

	2020 RMB'000	2019 RMB'000
Non-trade related		
Sales LLC	**450**	—
WXAT Shanghai	**—**	493
STA	**—**	127
Duoning	**—**	116
	450	736

40. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(2) Related party balances: (Continued)

	2020 RMB'000	2019 RMB'000
Lease liabilities		
NextCode Shanghai	**4,141**	—
WXAT Incubator	**1,615**	3,402
WXAT Shanghai	**—**	1,272
	5,756	4,674

During the year ended December 31, 2020, the Group entered into a new lease agreement with NextCode Shanghai for two years. The Group has recognized an addition of right-of-use assets and lease liabilities of RMB7,883,000 and RMB7,780,000 respectively.

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

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

40. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(2) Related party balances: (Continued)

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

(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 year was as follows:

	2020 RMB'000	2019 RMB'000
Director's fee	**601**	891
Salaries and other benefits	**10,839**	11,612
Performance-based bonus	**4,105**	4,334
Retirement benefits scheme contributions	**137**	55
Share-based compensation	**45,940**	30,607
	61,622	47,499

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

41. 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 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 year ended December 31, 2020, the Group recognized RMB136,000 (2019: RMB823,000) share-based compensation expense in relation to WuXi PharmaTech Stock Units and Options.

41. SHARE-BASED COMPENSATION (Continued)

Pre-IPO Share Option Scheme

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

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

(1) As of December 31, 2020, pre-IPO share options granted to the employees of the Group and directors of the Company before the effect of the Share Subdivision are as follows:

Date of grant	Number of options	Exercise price per share
January 7, 2016	89,364,668	US$0.50
March 28, 2016	2,412,750	US$0.50
August 10, 2016	5,729,313	US$0.66
November 11, 2016	6,321,000	US$0.79
March 15, 2017	20,970,000	US$1.02
May 12, 2017	3,804,000	US$1.80

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

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

41. 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, 2020 and 2019:

Option batch	Outstanding as at January 1, 2020 (Before the effect of Share Subdivision)	Granted	Exercised before the Share Subdivision	Exercised after the Share Subdivision	Forfeited before the Share Subdivision	Forfeited after the Share Subdivision	Effect of Share Subdivision	Outstanding as at December 31, 2020 (After the effect of Share Subdivision)
January 7, 2016	67,220,659	—	11,255,763	776,588	27,000	—	111,875,792	167,037,100
March 28, 2016	929,700	—	177,675	2,000	—	—	1,504,050	2,254,075
August 10, 2016	3,929,769	—	668,919	66,750	94,200	—	6,333,300	9,433,200
November 11, 2016	3,560,800	—	252,800	1,415,500	—	—	6,616,000	8,508,500
March 15, 2017	17,252,400	—	1,573,000	304,800	144,300	—	31,070,200	46,300,500
May 12, 2017	2,518,700	—	389,190	21,000	12,000	—	4,235,020	6,331,530
	95,412,028	—	14,317,347	2,586,638	277,500	—	161,634,362	239,864,905
Exercisable at the end of the year	22,261,563							89,823,673
Weighted average exercise price (US$)	0.65	—	0.61	0.24	0.88	—	N/A	0.22

Option batch	Outstanding as at January 1, 2019	Granted	Exercised	Forfeited	Outstanding as at December 31, 2019
January 7, 2016	76,112,259	—	8,783,600	108,000	67,220,659
March 28, 2016	1,276,275	—	346,575	—	929,700
August 10, 2016	5,006,438	—	974,355	102,314	3,929,769
November 11, 2016	5,032,000	—	1,315,200	156,000	3,560,800
March 15, 2017	19,847,500	—	1,944,700	650,400	17,252,400
May 12, 2017	3,718,000	—	535,300	664,000	2,518,700
	110,992,472	—	13,899,730	1,680,714	95,412,028
Exercisable at the end of the year	12,353,416				22,261,563
Weighted average exercise price (US$)	0.66	—	0.66	1.25	0.65

41. SHARE-BASED COMPENSATION (Continued)

Pre-IPO Share Option Scheme (Continued)

The estimated fair value of the Pre-IPO share options granted were approximately US$20,489,000, US$555,000, US$1,773,000, US$2,227,000, US$9,430,000 and US$2,974,000 as at January 7, 2016, March 28, 2016, August 10, 2016, November 11, 2016, March 15, 2017 and May 12, 2017 grants, respectively. The fair values were 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 before the Share Subdivision (US$)	0.48	0.48	0.65	0.75	0.95	1.65
Share price after the Share Subdivision (US$)	0.1600	0.1600	0.2167	0.2500	0.3167	0.5500
Exercise price before the Share Subdivision (US$)	0.50	0.50	0.66	0.79	1.02	1.80
Exercise price after the Share Subdivision (US$)	0.1667	0.1667	0.2200	0.2633	0.3400	0.6000
Expected volatility	40.80%	40.80%	40.92%	40.87%	40.65%	40.46%
Expected life (years)	10	10	10	10	10	10
Risk-free interest rate	2.92%	2.92%	2.72%	2.83%	3.39%	3.67%
Forfeiture rate	7.70%	7.70%	7.70%	7.70%	7.70%	7.70%

Share price is determined as the total fair value of the Company's equity divided by the total number of shares. 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.

41. SHARE-BASED COMPENSATION (Continued)

Pre-IPO Share Option Scheme (Continued)

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.

The Group recognized total expense of approximately RMB23,700,000 for the year ended December 31, 2020 (2019: RMB35,789,000) in relation to share options granted by the Company under the Pre-IPO Share Option Scheme.

In respect of the share options exercised during the year, the weighted average share price at the dates of exercise was HK$49.80 after the effect of the Share Subdivision (2019: HK$81.71 before the effect of the Share Subdivision).

Restricted Share Award Scheme

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

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

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

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

41. SHARE-BASED COMPENSATION (Continued)

Restricted Share Award Scheme (Continued)

(1) As of December 31, 2020, the restricted share granted to the employees of the Group and directors of the Company before the effect of Share Subdivision are as follows:

Date of grant	Number of restricted shares	Fair value per share
January 15, 2018	3,122,240	HK$55.00
March 20, 2018	1,846,677	HK$75.70
June 13, 2018	784,946	HK$88.50
August 21, 2018	1,339,787	HK$70.50
November 20, 2018	1,026,230	HK$65.55
March 19, 2019	64,986	HK$83.35
June 5, 2019	4,465,190	HK$71.70
August 20, 2019	1,610,661	HK$83.00
November 20, 2019	545,498	HK$89.40
March 27, 2020	1,770,631	HK$100.00
June 9, 2020	645,146	HK$125.70
August 18, 2020	620,002	HK$175.80
November 12, 2020	2,137,316	HK$231.40

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

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

41. SHARE-BASED COMPENSATION (Continued)

Restricted Share Award Scheme (Continued)

Set out below are details of the movements of the outstanding restricted shares granted under the Restricted Share Award Scheme during the years ended December 31, 2020 and 2019:

Option batch	Outstanding as at January 1, 2020 (Before the effect of Share Subdivision)	Granted before the Share Subdivision	Vested before the Share Subdivision	Vested after the Share Subdivision	Forfeited before the Share Subdivision	Forfeited after the Share Subdivision	Effect of Share Subdivision	Outstanding as at December 31, 2020 (After the effect of Share Subdivision)
January 15, 2018	2,507,660	—	501,532	—	317,208	—	3,377,840	5,066,760
March 20, 2018	1,651,730	—	328,194	—	138,660	—	2,369,752	3,554,628
June 13, 2018	647,437	—	128,448	—	100,931	—	836,116	1,254,174
August 21,2018	1,187,586	—	231,649	—	46,655	—	1,818,564	2,727,846
November 20, 2018	883,499	—	—	500,951	69,207	—	1,628,584	1,941,925
March 19, 2019	55,121	—	—	—	9,151	—	91,940	137,910
June 5, 2019	4,357,657	—	14,138	—	161,251	—	8,364,536	12,546,804
August, 20, 2019	1,563,441	—	—	—	154,912	13,335	2,817,058	4,212,252
November 20, 2019	535,674	—	—	—	94,534	29,472	882,280	1,293,948
March 27, 2020	—	1,770,631	—	—	137,196	8,025	3,266,870	4,892,280
June 9, 2020	—	645,146	—	—	23,492	—	1,243,308	1,864,962
August 18, 2020	—	620,002	—	—	20,163	—	1,199,678	1,799,517
November 12, 2020	—	2,137,316	—	—	—	52,245	4,274,632	6,359,703
	13,389,805	5,173,095	1,203,961	500,951	1,273,360	103,077	32,171,158	47,652,709
Weighted average fair value per share (HK$)	71.44	166.58	67.40	21.85	77.40	53.79	N/A	34.04

41. SHARE-BASED COMPENSATION (Continued)

Restricted Share Award Scheme (Continued)

Option batch	Outstanding as at January 1, 2019	Granted	Vested	Forfeited	Outstanding as at December 31, 2019
January 15, 2018	2,778,660	—	—	271,000	2,507,660
March 20, 2018	1,750,883	—	—	99,153	1,651,730
June 13, 2018	741,702	—	—	94,265	647,437
August 21,2018	1,326,060	—	—	138,474	1,187,586
November 20, 2018	1,021,371	—	—	137,872	883,499
March 19, 2019	—	64,986	—	9,865	55,121
June 5, 2019	—	4,465,190	—	107,533	4,357,657
August 20, 2019	—	1,610,661	—	47,220	1,563,441
November 20, 2019	—	545,498	—	9,824	535,674
	7,618,676	6,686,335	—	915,206	13,389,805
Weighted average fair value per share (HK$)	67.13	75.98	—	68.71	71.44

The Group recognized total expense of approximately RMB260,341,000 for the year ended December 31, 2020 (2019: RMB167,326,000) in relation to restricted shares granted by the Company under the Restricted Share Award Scheme.

42. DETAILS OF SUBSIDIARIES

The direct and indirect interests in the following subsidiaries held by the Company during the years ended December 31, 2020 and 2019 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 December 31		Principal activities
				2020 %	2019 %	
Directly held:						
WuXi Biologics Investments Limited ("Biologics Investments")	Hong Kong November 18, 2010	Not applicable	RMB2,065,376,000	**100**	100	Investment holding
無錫明德生物醫藥有限公司 (WuXi Medi Biologics, Inc.)# (Note b)	The PRC September 26, 2016	US$20,000,000	US$9,199,000	**100**	100	Investment holding
WuXi Biologics HealthCare Venture (Cayman) Inc.	Cayman Islands April 10, 2018	US$50,000	—	**100**	100	Investment holding
WuXi Biologics HealthCare Venture Hong Kong Holding Limited	Hong Kong April 25, 2018	Not applicable	—	**100**	100	Investment holding
WuXi Biologics Alliance Limited	Hong Kong June 27, 2019	Not applicable	—	**100**	100	Investment holding
WuXi Vaccines (Cayman) Inc.	Cayman Islands September 18, 2020	US$50,000	—	**100**	N/A	Investment holding
WuXi XDC (Cayman) Inc.	Cayman Islands December 14, 2020	US$50,000	—	**100**	N/A	Investment holding

42. DETAILS OF SUBSIDIARIES (Continued)

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 December 31		Principal activities
				2020 %	2019 %	
Indirectly held:						
無錫藥明康德企業管理有限公司 (WuXi Biologics Holdings Co., Ltd.)# (Note b)	The PRC August 14, 2014	RMB2,711,180,000	RMB2,711,180,000	**100**	100	Investment holding
無錫藥明生物技術股份有限公司 (WuXi Co.)# (Note a)	The PRC May 25, 2010	RMB4,915,770,000	RMB4,915,770,000	**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
蘇州藥明檢測檢驗有限公司 ("Suzhou Biologics")# (Note c)	The PRC May 30, 2012	RMB42,860,000	RMB42,860,000	**100**	100	Testing and development of testing technologies
上海藥明生物技術有限公司 (Shanghai Biologics)# (Note c)	The PRC January 6, 2015	RMB1,330,000,000	RMB1,330,000,000	**100**	100	Research and development in relation to biologics
WuXi Biologics Ireland Limited ("Biologics Ireland")	Ireland March 8, 2018	EUR1	EUR1	**100**	100	Biologics discovery, development and manufacturing service

42. DETAILS OF SUBSIDIARIES (Continued)

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 December 31		Principal activities
				2020	2019	
				%	%	
Indirectly held: (Continued)						
WuXi Biologics USA, LLC. ("USA Biologics")	The United States of America April 21, 2016	US$70,000,000	US$42,200,100	**100**	100	Sales and marketing services in US, biologics clinical and manufacturing service
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
上海藥明生物醫藥有限公司 (WuXi Biopharmaceuticals (Shanghai) Co., Ltd)# (Note a)	The PRC April 7, 2017	US$50,000,000	US$27,500,000	**100**	100	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)# (Note a)	The PRC December 4, 2017	US$80,000,000	US$26,318,000	**100**	100	Research and development in relation to biologics
上海藥明海德生物科技有限公司 (WuXi Vaccines Co., Ltd.)# (Note a)	The PRC August 1, 2018	RMB500,000,000	RMB8,200,000	**70**	70	Biologics manufacturing service
無錫藥明偶聯生物技術有限公司 (WuXi Biologics Conjugation Co., Ltd.)# (Note b)	The PRC March 13, 2018	US$50,000,000	US$50,000,000	**100**	100	Biologics discovery, development and manufacturing service

42. DETAILS OF SUBSIDIARIES (Continued)

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 December 31		Principal activities
				2020 %	2019 %	
Indirectly held: (Continued)						
河北藥明生物技術有限公司 (WuXi Biologics (Hebei) Co., Ltd.)# (Note a)	The PRC June 19, 2018	US$17,000,000	US$13,731,000	**100**	100	Biologics discovery, development and manufacturing service
WuXi Biologics HealthCare Venture	Hong Kong May 29, 2018	Not applicable	—	**100**	100	Investment holding
杭州明德生物醫藥技術有限公司 (WuXi Biologics (Hangzhou) Co., Ltd.)# (Note a)	The PRC September 16, 2019	US$35,000,000	US$23,280,000	**100**	100	Biologics discovery, development and manufacturing service
WuXi Biologics Singapore Private Limited	Singapore February 1, 2019	US$1	—	**100**	100	Biologics manufacturing service
WuXi Vaccines (Hong Kong) Limited	Hong Kong May 24, 2019	Not applicable	US$107,000,000	**70**	100	Investment holding
WuXi Vaccines Ireland Limited	Ireland June 20, 2019	EUR1,000	EUR1,000	**70**	100	Vaccine CDMO and related business
平湖優譜生物技術有限公司 (U-Pure)# (Note a)	The PRC June 18, 2013	RMB2,000,000	RMB2,000,000	**50.1**	50.1	Biologics manufacturing service and material supplier
博格隆(上海)生物技術有限公司 (Bestchrom (Shanghai) Biosciences Co., Ltd.)# (Note a)	The PRC July 1, 2008	US$150,000	US$150,000	**50.1**	50.1	Biologics manufacturing service and material supplier

42. DETAILS OF SUBSIDIARIES (Continued)

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 December 31		Principal activities
				2020 %	2019 %	
Indirectly held: (Continued)						
WuXi Biologics Germany GmbH	The Federal Republic of Germany December 20, 2019	EUR25,000	EUR25,000	**100**	100	Biologics manufacturing service
杭州明德生物新技術開發有限公司 (WuXi Biologics (Hangzhou FTZ) Co., Ltd.)# (Note a)	The PRC April 30, 2020	US$20,000,000	US$2,000,000	**100**	N/A	Biologics discovery, development and manufacturing service
無錫博格隆生物技術有限公司 (WuXi BestChrom Biosciences Co., Ltd.)# (Note a)	The PRC September 15, 2020	RMB20,000,000	—	**100**	N/A	Biologics discovery, development and manufacturing service
北京藥明生物技術有限公司 (Beijing Biologics)# (Note c)	The PRC September 18, 2020	RMB30,000,000	RMB2,000,000	**100**	N/A	Biologics discovery, development and manufacturing service
無錫元康投資管理有限公司 (WuXi Yuankang Investments Co., Ltd.)# (Note c)	The PRC November 10, 2020	RMB500,000,000	RMB50,010,000	**100**	N/A	Investment holding

Notes:

\# English name is for identification purpose only.

a. This Company is a sino-foreign joint venture.

b. This Company is a wholly-foreign owned enterprise.

c. This Company is a wholly-domestic owned enterprise.

43. FINANCIAL POSITION OF THE COMPANY

	2020 RMB'000	2019 RMB'000
Non-current Assets		
Investments in subsidiaries	**2,834,140**	2,491,115
	2,834,140	2,491,115
Current Assets		
Other receivables and prepayments	**13,390**	5,892
Amounts due from subsidiaries	**7,640,210**	3,843,108
Financial assets at FVTPL	**66**	—
Time deposits	**1,272,356**	—
Pledged bank deposits	**441,487**	431,640
Bank balances and cash	**4,919,577**	4,125,961
Derivative financial assets	**186,166**	—
	14,473,252	8,406,601
Current Liabilities		
Trade and other payables	**277,139**	38,537
Amounts due to subsidiaries	**593,499**	64,599
Derivative financial liabilities	**25,722**	—
Income tax payables	**6,562**	—
	902,922	103,136
Net Current Assets	**13,570,330**	8,303,465
Total Assets Less Current Liabilities	**16,404,470**	10,794,580
Non-current Liabilities	**—**	—
Net Assets	**16,404,470**	10,794,580
Capital and Reserves		
Share capital	**225**	214
Reserves	**16,404,245**	10,794,366
Total Equity attributable to the Owners of the Company	**16,404,470**	10,794,580

44. 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	Cash flow and fair value hedging reserve RMB'000	Accumulated profit (loss) RMB'000	Total reserves RMB'000
At January 1, 2019	6,642,369	223,080	8,065	85,907	6,959,421
Total comprehensive income for the year	—	—	(8,065)	64,925	56,860
Issue of new shares, net of transaction costs	3,512,211	—	—	—	3,512,211
Exercise of equity-settled share-based compensation	62,677	—	—	—	62,677
Recognition of equity-settled share-based compensation	—	203,197	—	—	203,197
At December 31, 2019	10,217,257	426,277	—	150,832	10,794,366
Total comprehensive income (expense) for the year	—	—	12,114	(296,177)	(284,063)
Issue of new shares, net of transaction costs	5,545,782	—	—	—	5,545,782
Exercise of equity-settled share-based compensation	64,194	—	—	—	64,194
Recognition of equity-settled share-based compensation	—	283,966	—	—	283,966
At December 31, 2020	15,827,233	710,243	12,114	(145,345)	16,404,245

45. INVESTMENTS IN SUBSIDIARIES

	2020 RMB'000	2019 RMB'000
Unlisted shares, at cost		
Biologics Investments (Note i)	**2,065,376**	2,065,376
WuXi Medi Biologics, Inc.	**60,010**	—
Deemed capital contributions to (Note ii):		
WuXi Co.	**352,952**	192,313
Shanghai Biologics	**279,112**	207,995
USA Biologics	**29,806**	11,368
Suzhou Biologics	**14,584**	8,685
UK Biologics	**1,709**	1,222
Biologics Ireland	**7,158**	3,050
WuXi Biologics Conjugation Co., Ltd.	**3,326**	885
WuXi Biologics (Hebei) Co., Ltd.	**1,291**	116
WuXi Biopharmaceuticals (Shanghai) Co., Ltd.	**16,112**	87
Wuxi Biologics (Chengdu) Co., Ltd.	**263**	18
WuXi Vaccines Ireland Limited	**11**	—
WuXi Biologics Germany GmbH	**5**	—
Beijing Biologics	**344**	—
WuXi Vaccines Co., Ltd.	**546**	—
WuXi Biologics (Hangzhou) Co., Ltd.	**1,422**	—
WuXi Biologics (Hangzhou FTZ) Co., Ltd.	**113**	—
	2,834,140	2,491,115

Notes:

(i) The amount represents the cost of investment amounting to HK$2,357,188,000 (equivalent to approximately RMB2,065,376,000) 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 and restricted shares 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 and Restricted Share Award Scheme as disclosed in Note 41. 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.

46. SUBSEQUENT EVENTS

The Group has the following events taken place subsequent to December 31, 2020:

On January 4, 2021, Biologics Holdings, one of the substantial shareholders of the Company, entered into a block trade agreement with a placing agent pursuant to which the placing agent has agreed to place 102,000,000 existing shares of the Company (representing approximately 2.50% of the total issued share capital of the Company as at the date of January 4, 2021) held by Biologics Holdings to parties independent of and not connected with the Company at a price of HK$96.50 each.

On February 2, 2021, the Company entered into a placing agreement with a placing agent pursuant to which the placing agent agreed to place 118,000,000 new shares on a fully underwritten basis to currently expected not less than six independent professional, institutional and/or other investors who are or will be independent third parties at a price of HK$112.00 each.

On March 17, 2021, the Group entered into an equity agreement with Pfizer China to acquire its state-of-the-art biologics manufacturing facilities as well as its labor force in Hangzhou, China. The transaction is expected to close in the first half of 2021.

On March 18, 2021, the Group entered into a security purchase agreement with independent third parties under which the Group will acquire over 90% interest of CMAB Biopharma Group, a contract development and manufacturing organization based in Suzhou, China. The transaction is expected to close in the second quarter of 2021.

Definitions

"AGM"	the annual general meeting of the Company
"Annual Results Announcement"	the annual results announcement published by the Company on March 23, 2021
"Audit Committee"	the audit committee of the Board
"Biologics Holdings"	WuXi Biologics Holdings Limited, a company incorporated under the laws of the British Virgin Islands on December 17, 2015 with limited liability, and a substantial shareholder of the Company
"Board"	the board of Directors of the Company
"Business Continuity Plan"	the business continuity plan as adopted by the Group in light of the COVID-19 pandemic and its impact
"CDMO"	Contract development and manufacturing organization
"CG Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"cGMP"	Current Good Manufacturing Practice regulations, regulations enforced by the Food and Drug Administration of the United States on pharmaceutical and biotech firms to ensure that the products produced meet specific requirements for identity, strength, quality and purity
"Chairman"	the Chairman of the Board
"China" or "the PRC"	the People's Republic of China excluding, for the purpose of this announcement, Hong Kong, Macau Special Administrative Region and Taiwan
"Company"	WuXi Biologics (Cayman) Inc. (藥明生物技術有限公司*), an exempted company incorporated in the Cayman Islands with limited liability on February 27, 2014
"Director(s)"	the director(s) of the Company
"EU"	a politico-economic union of 27 member states that are located primarily in Europe
"EU EMA"	European Medicines Agency
"GMP"	Good Manufacturing Practice
"Group" or "we" or "our"	the Company and its subsidiaries
"H.K. dollar(s)" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"IFRS"	International Financial Reporting Standards

"IND"	investigational new drug, an experimental drug for which a pharmaceutical company obtains permission to ship across jurisdictions (usually to clinical investigators) before a marketing application for the drug has been approved
"Life Science Holdings"	New WuXi Life Science Holdings Limited, a company incorporated under the laws of the Cayman Islands on July 2, 2015 with limited liability, which holds 100% issued share capital of Life Science Limited
"Life Science Limited"	New WuXi Life Science Limited, a company incorporated under the laws of the Cayman Islands on July 2, 2015 with limited liability, which holds 100% issued share capital of WuXi PharmaTech
"Listing" or "IPO"	the listing of the Shares on the Main Board of the Stock Exchange on June 13, 2017
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
"Main Board"	the Main Board of the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
"Pre-IPO Share Option Scheme"	the pre-IPO share option scheme adopted by the Company with effect from January 5, 2016, and amended on August 10, 2016, the principal terms of which are summarized in "Statutory and General Information — E. Pre-IPO Share Option Scheme" in Appendix IV to the Prospectus
"Prospectus"	the prospectus issued by the Company dated May 31, 2017
"Remuneration Committee"	the remuneration committee of the Board
"Renminbi" or "RMB"	Renminbi Yuan, the lawful currency of China
"Reporting Period"	the one-year period from January 1, 2020 to December 31, 2020
"Restricted Share Award Scheme"	the restricted share award scheme adopted by the Company on January 15, 2018
"Shareholder(s)"	holder(s) of Shares
"Share(s)"	ordinary share(s) in the capital of the Company with nominal value of US$1/120,000 each
"Share Subdivision"	the share subdivision of every one (1) issued share of par value of US$0.000025 of the Company into three (3) subdivided shares of par value of US$1/120,000 each of the Company effective on November 16, 2020

"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"US$" or "USD"	United States dollars, the lawful currency of the United States of America
"U.S. FDA"	The Food and Drug Administration of the United States of America
"Written Guidelines"	the Written Guidelines for Securities Transactions by Directors adopted by the Company
"WuXi AppTec"	WuXi AppTec Co., Ltd. (無錫藥明康德新藥開發股份有限公司), a company incorporated in the PRC on December 1, 2000 and the shares of which are listed on Shanghai Stock Exchange (Stock code: 603259) and the Main Board of the Stock Exchange (Stock code: 2359)
"WuXi PharmaTech"	WuXi PharmaTech (Cayman) Inc., a company incorporated under the laws of the Cayman Islands on March 16, 2007 with limited liability. Its shares were listed on the New York Stock Exchange (stock code: WX), and were delisted from the New York Stock Exchange on December 10, 2015
"WuXi Vaccines"	WuXi Vaccines (Hong Kong) Limited, a limited company incorporated in Hong Kong and an indirect non-wholly owned subsidiary of the Company

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