

1 INTRODUCTION

1.1 We, **WuXi Biologics (China) Co., Ltd.** (the "Company")
(hereinafter referred to as "we" or "our") **醫 院 股 份 有 限 公 司** 31, 2017 (
- Reporting Period -) ended 31, 2016.

1.2 The financial statements are prepared in accordance with the

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[Illegible text]

--k. *[Illegible text]*

[Illegible text]

4 MANAGEMENT DISCUSSION AND ANALYSIS

4.1 Financial Review

[Illegible text] B666.4 *[Illegible text]*

60.4% *[Illegible text]* 2016, *[Illegible text]* B119.9 *[Illegible text]*

4.1.1 Revenue and Cost of Revenue

For the year ended December 31, 2017, the Company's operating income was RMB1,287.7 million, an increase of 12.8% from RMB1,142.0 million in 2016. The increase was primarily due to the increase in operating income from the Company's core business, which was driven by the increase in the number of inpatients and the increase in the average length of stay. The increase in operating income from the Company's core business was primarily due to the increase in the number of inpatients and the increase in the average length of stay. The increase in operating income from the Company's core business was primarily due to the increase in the number of inpatients and the increase in the average length of stay.

	For the year ended December 31,	
	2017	2016
	(RMB'000)	(RMB'000)
Treatment and general healthcare services		
Operating income	389,494	285,599
Operating expenses	235,839	174,139
Operating profit	153,655	111,460
Pharmaceutical sales		
Operating income	130,681	105,906
Operating expenses	107,405	86,970
Operating profit	23,276	18,936
Owned hospitals		
Operating income	520,175	391,505
Operating expenses	343,244	261,109
Operating profit	<u>176,931</u>	<u>130,396</u>

For the year ended December 31, 2017, the Company's operating income was RMB1,287.7 million, an increase of 12.8% from RMB1,142.0 million in 2016. The increase was primarily due to the increase in operating income from the Company's core business, which was driven by the increase in the number of inpatients and the increase in the average length of stay. The increase in operating income from the Company's core business was primarily due to the increase in the number of inpatients and the increase in the average length of stay. The increase in operating income from the Company's core business was primarily due to the increase in the number of inpatients and the increase in the average length of stay.

the following table, the Company's revenue is broken down by type of patient, and the Company's revenue is broken down by type of patient, and the Company's revenue is broken down by type of patient:

	For the year ended December 31,	
	2017	2016
Inpatients		
Number of inpatient bed-days	3,420	2,577
Revenue from inpatient bed-days	1,248,300	943,182
Revenue per inpatient bed-day (%)	87.8%	86.5%
Number of inpatient bed-days	1,095,389	815,883
Revenue from inpatient bed-days	371,663	268,555
Revenue from inpatient bed-days (RMB'000)		
Average inpatient bed-day revenue (RMB)	339	329
Revenue from inpatient bed-days (RMB'000)	64,896	48,262
Average inpatient bed-day revenue (RMB)	59	59
Total inpatient revenue (RMB'000)	436,559	316,817
Total average inpatient spending per bed-day (RMB)	398	388
Outpatients		
Number of outpatient visits	160,015	145,696
Revenue from outpatient visits	17,831	17,044
Revenue from outpatient visits (RMB'000)		
Average outpatient visit revenue (RMB)		

For the year ended December 31, 2017, the Company's operating profit was RMB436.4 million, an increase of 37.8% over 2016, and the operating profit margin was 34.3%, an increase of 2.6 percentage points over 2016 (2016: 80.9%).

For the year ended December 31, 2017, the Company's net profit was RMB83.6 million, an increase of 12.0% over 2016, and the net profit margin was 9.8%, an increase of 1.8 percentage points over 2016 (2016: 16.1% (2016: 19.1%)).

For the year ended December 31, 2017, the Company's comprehensive income was RMB36.4 million, an increase of 74.9% over 2016 (2016: 72.9%), and the comprehensive income margin was 23.4%, an increase of 25.1 percentage points over 2016 (2016: 27.1%).

The Company's financial performance for the year ended December 31, 2017 is summarized in the following table:

	For the year ended December 31,	
	2017 (RMB'000)	2016 (RMB'000)
Revenue	131,949	103,962
Cost of sales	116,085	87,060
Gross profit	20,358	12,830
Operating expenses	29,331	17,697
Operating profit	17,401	14,018
Finance income	9,975	6,062
Finance costs	18,145	19,480
Profit before income tax	343,244	261,109

2016, 31.5% (2016: 26.9%)
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 ; (-)
 B19.2
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 A 2016,
 62.8%.

38.4% (2016: 39.8%).
 33.8%
 (2016: 33.3%).
 14.5% (2016: 11.7%).

32.6% (2016: 34.5%), $\frac{0.5186}{0.5186 + 0.5186} = 0.5000$ (0.5000) (0.5000)

2017, 31.3 % 2016, : () 42.7% ; () 42.7%; () B6.4 A- 16.8% (2016: 17.0%), A- 15.8%, : () ; () H 2017,

4.1.6 Finance (Expenses)/Income – Net

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For the year ended

4.1.7 Investment Income/(Loss)

4.1.9 Non-Operating Income (Expenses) and Other Gains

Income Statement

4.1.11 Total Comprehensive Income

• Total comprehensive income, which includes net income and other comprehensive income, was $\text{¥}49.1$ billion, an increase of 28.7% over 2016, as follows:

• Net income was $\text{¥}8.3$ billion, an increase of 10.0% over 2016, as follows:

• Net income attributable to shareholders was $\text{¥}14.9$ billion, an increase of 10.0% over 2016, as follows:

• Net income attributable to shareholders of the parent company was $\text{¥}7.5$ billion, an increase of 10.0% over 2016, as follows:

• Net income attributable to shareholders of the parent company was $\text{¥}6.7$ billion, an increase of 10.0% over 2016, as follows:

B. Other comprehensive income

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 100%, 100%, 100%

100% (2012) 3-289403

75%

(A 100%) (100%) 6,602.26

(A 100%) (100%) 30,557.34

100% 100%

100% 100%

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4.2.2 Accounts Receivables

A 31, 2017, B232.2
 (31, 2016: B142.9),
 B220.1 54.0%
 31, 2016,
 2016.

121 (2016: 117).

4.2.3 Other Receivables and Prepayments

A 31, 2017, B54.6
 (31, 2016: B77.0).

4.2.4 Investment Properties

A _____ 31, 2017, _____ B128.6
 (_____ 31, 2016: _____ B72.2 _____), _____ k
 B _____ W _____, _____, _____ (3 & 4) _____ W _____ k
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 (_____)

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4.2.8 Other Payables

At December 31, 2017, other payables were $\text{¥B}99.8$ million (December 31, 2016: $\text{¥B}38.9$ million), of which $\text{¥B}10.0$ million were due within one year.

4.3 Liquidity and Capital Resources

The following table summarizes the cash flows from operating, investing and financing activities for the years ended December 31, 2017 and 2016:

	For the year ended	
	December 31,	2016
	2017	2016
	(RMB'000)	(¥B '000)
Cash generated from operating activities	81,499	49,867
Cash used in investing activities	(223,628)	(92,788)
Cash generated from financing activities	(21,900)	69,080
Net change in cash and cash equivalents	(169,625)	38,706

4.3.1 Net Cash Generated from Operating Activities

For the year ended December 31, 2017, net cash generated from operating activities was $\text{¥B}81.5$ million, an increase of $\text{¥B}47.8$ million, or 58.4%, from $\text{¥B}33.7$ million for the year ended December 31, 2016. The increase was primarily due to the increase in net income of $\text{¥B}18.6$ million, and the increase in net cash generated from operating activities of $\text{¥B}101.9$ million, which was mainly due to the increase in net cash generated from operating activities of $\text{¥B}47.6$ million.

4.3.2 Net Cash Used in Investing Activities

For the year ended December 31, 2017, net cash used in investing activities was $\text{¥B}223.6$ million, an increase of $\text{¥B}208.9$ million, or 93.4%, from $\text{¥B}14.7$ million for the year ended December 31, 2016. The increase was primarily due to the increase in net cash used in investing activities of $\text{¥B}208.9$ million, which was mainly due to the increase in net cash used in investing activities of $\text{¥B}60.5$ million.

4.3.3 Net Cash Used in Financing Activities

[illegible]

4.3.4 Significant Investment, Acquisition and Disposal

4.4 Indebtedness

4.4.1 Bank Borrowings

A 31, 2017, k
 B200.0 (31, 2016: B216.7),
 B90.0 - k
 k , B106.7 .

4.4.2 Contingent Liabilities

A 31, 2017, '.....'.....

4.4.3 Asset Pledge

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4.4.4 Contractual Obligations

A 31, 2017, **4** B334.2

4.4.5 Financial Instruments

[illegible]

4.4.6 Exposure to Fluctuation in Exchange Rates

$\mathbf{k} = \mathbf{k}_1 + \mathbf{k}_2$ and $\mathbf{k} = \mathbf{k}_1 - \mathbf{k}_2$ are the two possible wave vectors of the scattered wave. The wave vector $\mathbf{k}$ is perpendicular to the surface of the crystal. The wave vector $\mathbf{k}$ is perpendicular to the surface of the crystal. The wave vector $\mathbf{k}$ is perpendicular to the surface of the crystal.

A $\mathbb{Z}$ -module M is called **free** if it is isomorphic to a direct sum of copies of $\mathbb{Z}$. If M is free, then the number of copies of $\mathbb{Z}$ in the direct sum is called the **rank** of M , denoted $\text{rank}(M)$. If M is not free, then $\text{rank}(M)$ is undefined.

4.4.7 Gearing Ratio

A 31, 2017, 34.3% (31, 2016: 35.1%).

4.4.8 Employees and Remuneration Policy

A 31, 2028 0 31) 0.528 0 (,) 0,

5.2 Dividend

B

A

13, 2018,

13, 2018

25, 2018 (

Record Date 0

() 0.279 0

9 COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

10 IMPORTANT EVENTS AFTER THE REPORTING PERIOD

11 AUDITORS AND ACCOUNTING STANDARDS

12.2 Change In Accounting Policies

2017, 42 A B, A B, 16 A B, A A 2017 30).

Content and reason for change in accounting policies	Impacted financial statement item	Amount of impact	
		For the year ended December 31, 2017	For the year ended December 31, 2016
For the year ended December 31, 2017		9,417,463	
For the year ended December 31, 2017		(9,417,463)	
For the year ended December 31, 2016			505,331
For the year ended December 31, 2017		(505,331)	(115,556)
For the year ended December 31, 2016			

12.2 Consolidated Annual Financial Information

 A :  B :  C :  A :  B :  C :

12.2.1 Annual Consolidated Income Statement

		For the year ended December 31,	
		2017	2016
		RMB	¥B
1. Revenue		666,435,528	415,408,969
Cost of sales		(449,331,902)	(272,071,264)
Net revenue		(9,780,313)	(1,169,328)
Cost of sales		(1,752,173)	(3,144,314)
Net revenue		(91,754,247)	(69,855,467)
Cost of sales		(24,262,625)	24,764,573
Net revenue		(19,104,920)	(3,902,289)
Cost of sales		(6,111,760)	(1,661,152)
Net revenue		(6,461,760)	(6,201,867)
Cost of sales		(505,331)	(115,556)
Net revenue		9,417,463	
2. Operating profit		73,249,720	88,254,172
Cost of sales		9,814,600	8,567,750
Net revenue		(13,201,645)	(4,683,423)
3. Total profit		69,862,675	92,138,499
Cost of sales		(22,026,917)	(26,587,505)
4. Net profit		47,835,758	65,550,994
Cost of sales		47,835,758	65,550,994

12.2.2 Annual Consolidated Balance Sheets

	December 31, 2017 RMB	December 31, 2016 RMB
ASSETS		
Current assets		
Monetary funds	279,334,159	496,614,542
Accounts receivable	232,179,323	142,938,440
Prepaid expenses	43,447,939	54,672,733
Other receivables	11,132,676	22,283,987
Inventory	23,532,469	162,827,694
Other current assets	12,688,704	12,688,704
Total current assets	602,315,270	892,026,100
Non-current assets		
Long-term equity investments	50,000,000	50,000,000
Fixed assets	89,683,865	22,429,070
Intangible assets	128,568,963	72,191,872
Deferred tax assets	502,649,528	97,666,540
Other non-current assets	22,290,670	198,066,153
Investments in subsidiaries	151,842,863	125,865,371
Investments in associates	4,823,557	8,533,389
Investments in joint ventures	96,335,653	88,855,792
Other non-current assets	22,571,944	20,300,383
Other non-current assets	19,318,211	27,447,253
Total non-current assets	1,088,085,254	711,355,823
TOTAL ASSETS	1,690,400,524	1,603,381,923

	December 31, 2017 RMB	December 31, 2016 ¥B
LIABILITIES AND OWNERS' EQUITY		
Current liabilities		
Accounts payable	90,000,000	30,000,000
Accounts receivable	83,787,338	43,271,014
Accounts payable to related parties	7,511,284	71,147,900
Accounts payable to other parties	23,714,318	19,552,350
Accounts payable to employees	34,912,381	41,195,655
Accounts payable to other parties	99,79	

12.2.3 Annual Consolidated Statements of Cash Flow

	For the year ended	
	December 31,	
	2017	2016
	RMB	¥B
1. Cash flows generated from operating activities		
Operating activities generating cash inflows		
Cash inflows from sales of goods	502,692,532	415,653,362
Cash inflows from sales of services	35,442,492	28,832,288
Sub-total of cash inflows	538,135,024	444,485,650
Operating activities generating cash outflows		
Cash outflows for purchases of goods	(172,416,737)	(168,939,165)
Cash outflows for purchases of services	(158,956,031)	(118,573,469)
Cash outflows for sales of goods	(47,590,827)	(25,779,704)
Cash outflows for sales of services	(77,672,510)	(81,326,450)
Sub-total of cash outflows	(456,636,105)	(394,618,788)
Net cash flows generated from operating activities	81,498,919	49,866,862
2. Cash flows used in investing activities		
Investing activities generating cash inflows		
Cash inflows from disposal of fixed assets	5,675,000	1,075,000
Cash inflows from disposal of intangible assets	—	2,039,728
Cash inflows from disposal of long-term equity investments	—	1,500,000
Cash inflows from disposal of other long-term assets	310,446,972	256,999,636
Sub-total of cash inflows	316,121,972	261,614,364
Investing activities generating cash outflows		
Cash outflows for purchases of fixed assets	(208,923,550)	(183,852,005)
Cash outflows for purchases of intangible assets	(60,498,286)	(71,708,000)
Cash outflows for purchases of long-term equity investments	—	(280,995)
Cash outflows for purchases of other long-term assets	(270,328,000)	(98,561,000)
Sub-total of cash outflows	(539,749,836)	(354,402,000)
Net cash flows used in investing activities	(223,627,864)	(92,787,636)

		For the year ended	
		December 31,	
		2017	2016
		RMB	¥B
3.	Cash flows (used in)/generated from financing activities		
	Proceeds from the issuance of bank loans	27,020,000	9,200,000
	Proceeds from the issuance of corporate bonds		
	Proceeds from the issuance of short-term financing		
	Proceeds from the issuance of other financing	27,020,000	9,200,000
	Proceeds from the issuance of other financing	90,000,000	160,000,000
	Proceeds from the issuance of other financing	300,000	
	Sub-total of cash inflows	117,320,000	169,200,000
	Interest paid	(107,650,190)	(67,496,810)
	Interest paid		
	Interest paid	(27,084,188)	(18,260,000)
	Interest paid	(4,485,351)	(14,362,579)
	Sub-total of cash outflows	(139,219,729)	(100,119,389)
	Net cash flows (used in)/generated from financing activities	(21,899,729)	69,080,611
4.	Effect of changes in foreign exchange rate	(5,596,209)	12,546,534
5.	Net (decrease)/increase in cash and cash equivalents	(169,624,883)	38,706,371
	A. Net (decrease)/increase in cash and cash equivalents	407,163,542	368,457,171
6.	Cash and cash equivalents at end of the year	237,538,659	407,163,542

12.24 Annual Consolidated Statement of Changes In Equity

	Equity attributable to owners of the parent company				Non-	Total
	Share capital	Capital surplus	Surplus reserve	Retained earnings	controlling interests	owners' equity
Balance at 1 January 2017	73,040,000	795,604,861	18,548,942	121,190,550	32,985,630	1,041,369,983
Profit for the year	—	—	—	49,070,774	(1,235,016)	47,835,758
Other comprehensive income						
Share-based payment expense	—	—	—	—	27,020,000	27,020,000
Share-based payment expense	—	412,805	—	—	—	412,805
Share-based payment expense	—	12,226,520	—	—	(108,251)	12,118,269
Available for sale investments						
Share-based payment expense	—	—	5,161,070	(5,161,070)	—	—
Share-based payment expense						
Share-based payment expense	—	—	—	(18,260,000)	—	(18,260,000)
Balance at December 31, 2017	<u>73,040,000</u>	<u>808,244,186</u>	<u>23,710,012</u>	<u>146,840,254</u>	<u>58,662,363</u>	<u>1,110,496,815</u>
Other comprehensive income (loss) attributable to non-controlling interests						
					Profit for the year	Share-based payment expense
					Share-based payment expense	Share-based payment expense
					Share-based payment expense	Share-based payment expense
Balance at 1 January 2016	73,040,000	797,510,642	11,343,566	77,824,436	2,512,383	962,231,027
Profit for the year	—	—	—	68,831,490	(3,280,496)	65,550,994
Other comprehensive income						
Share-based payment expense	—	—	—	—	9,200,000	9,200,000
Share-based payment expense	—	2,311,135	—	—	—	2,311,135
Share-based payment expense	—	(4,216,916)	—	—	15,946,066	11,729,150
Available for sale investments						
Share-based payment expense	—	—	—	—	8,607,677	8,607,677
Share-based payment expense						
Share-based payment expense	—	—	7,205,376	(7,205,376)	—	—
Share-based payment expense						
Share-based payment expense	—	—	—	(18,260,000)	—	(18,260,000)
Balance at December 31, 2016	<u>73,040,000</u>	<u>795,604,861</u>	<u>18,548,942</u>	<u>121,190,550</u>	<u>32,985,630</u>	<u>1,041,369,983</u>

12.3 Notes to the Consolidated Annual Financial Information prepared in accordance with the China Accounting Standard for Business Enterprises

12.3.1 Accounts receivable

	December 31, 2017 RMB	December 31, 2016 ¥B
Trade receivables	2,250,000	
Other receivables	245,277,585	151,042,945
Total	247,527,585	151,042,945
Less: Allowance for doubtful accounts	(15,348,262)	(8,104,505)
Net accounts receivable	<u>232,179,323</u>	<u>142,938,440</u>

At December 31, 2017 and 2016, the accounts receivable were as follows:

	31 December 2017 RMB	31 December 2016 ¥B
Within 1 year	215,379,873	137,552,824
1 - 2 years	29,274,942	10,835,771
2 - 3 years	2,441,995	2,211,065
Over 3 years	430,775	443,285
Total	<u>247,527,585</u>	<u>151,042,945</u>

Accounts receivable are measured at amortized cost.

12.3.2 Accounts payable

At December 31, 2017 and 2016, the accounts payable were as follows:

	December 31, 2017 RMB	December 31, 2016 ¥B
Within 3 years	42,078,771	39,665,783
3- 6 years	7,390,442	2,933,736
6-12 years	20,557,648	223,574
1 - 2 years	13,579,346	103,052
2 - 3 years	27,315	344,869
Over 3 years	153,816	0.4303

12.3.3 Revenue and cost of sales

	For the year ended	
	December 31,	
	2017	2016
	RMB	HK\$
Revenue from main businesses	546,561,325	410,447,911
Revenue from other businesses	119,874,203	4,961,058
	<u>666,435,528</u>	<u>415,408,969</u>
Cost of sales from main businesses	354,933,687	270,663,677
Cost of sales from other businesses	94,398,215	1,407,587
	<u>449,331,902</u>	<u>272,071,264</u>

Revenue and cost of sale from main businesses

	For the year ended	
	December 31,	
	RMB	HK\$
Revenue from main businesses		
Revenue from sales of goods	130,681,392	107,405,332
Revenue from sales of services	389,493,815	235,838,816
Revenue from other businesses	26,386,118	11,689,539
	<u>546,561,325</u>	

For the year ended
December 31,2016

RMB *US\$*

Revenue

from main
businesses

105,905,729 86,970,397

285,599,012 174,138,929

18,943,170 9,554,351

410,447,911 270,663,677

Revenue from
main businesses
US\$

12.3.5 Income tax expenses

	For the year ended December 31,	
	2017	2016
	RMB	¥B
Income tax expense	30,123,517	32,874,281
Income tax credit	(8,096,600)	(6,286,776)
	<u>22,026,917</u>	<u>26,587,505</u>

The income tax expense for the year ended December 31, 2017 is calculated based on the taxable income of the Company and its subsidiaries, and the applicable income tax rates. The income tax credit is calculated based on the taxable income of the Company and its subsidiaries, and the applicable income tax rates.

	For the year ended December 31,	
	2017	2016
	RMB	¥B
Income tax expense	<u>69,862,675</u>	<u>92,138,499</u>
Income tax credit		
Income tax expense	17,465,669	23,034,625
Income tax credit	3,741,704	2,394,514
Income tax expense	579,395	(320,322)
Income tax credit	(42,417)	
Income tax expense	415,248	1,478,688
Income tax credit	207,837	
Income tax expense	<u>(340,519)</u>	<u></u>
	<u>22,026,917</u>	<u>26,587,505</u>

12.3.6 Dividends

23, 2018,	B	B10,956,000
31, 2017,		73,040,000
31, 2017.		8 00 (0) 0028 4 541 0 00,45286004 (

13 DEFINITIONS

A	2017	13, 2018
A	B	
B	B	(北京怡寧醫院有限公司), A, 17, 2015 32.67%
B	B	
B	B	(蒼南康寧醫院有限公司), 15, 2012,
B	B	(成都怡寧醫院有限公司), k (成都仁一醫院有限公司), 29, 2010 41.67%
B	B	(成都怡寧醫院有限公司)
B	B	(重慶合川康寧醫院有限公司), 5, 2015 40%
B	B	(淳安黃鋒康恩醫院)
B	B	k B k (k : 2120)

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市怡寧醫院管理有限公司),

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（燕郊輔仁中西醫結合醫院），
26, 2015

（樂清康寧醫院有
限公司），
3, 2013,

402.3762 392 636(,) 366, 3.969344 686() 2341 1080 (永嘉康寧醫院有限公
司),
12, 2009 B3.96008220 01A(0) (02) (09 03 03 020