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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)

**DISCLOSEABLE TRANSACTION
ACQUISITION OF FACILITY ASSETS OF
A BIOLOGICS DRUG SUBSTANCE
MANUFACTURING PLANT**

The Board is pleased to announce that on December 21, 2020, WuXi Biologics Germany, an indirect wholly owned subsidiary of the Company, has entered into an Asset Purchase Agreement with Bayer, pursuant to which WuXi Biologics Germany will purchase from Bayer the Facility Assets of the biologics drug substance Manufacturing Plant located in Wuppertal, Germany, so as to continue the Group's global capacity expansion to further capture the growing demand for biologics manufacturing from worldwide customers. To ensure the smooth operation of the Manufacturing Plant after the Acquisition, WuXi Biologics Germany will, on the Completion Date, enter into the Sublease Agreement and the Transitional Service Agreement with Bayer in relation to a long-term sublease for the building housing the Manufacturing Plant and certain related transitional services, respectively. The aggregate value of the Transaction amounts to approximately EUR150 million (equivalent to approximately HK\$1,419 million).

LISTING RULES IMPLICATION

As the highest applicable percentage ratio (as defined under the Listing Rules) for the Transaction, whether on a standalone basis or when aggregated with the Previous Transaction which was conducted within 12 months of the Transaction, is more than 5% but is less than 25%, the Transaction constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

BACKGROUND

The Board is pleased to announce that on December 21, 2020, WuXi Biologics Germany, an indirect wholly owned subsidiary of the Company, has entered into an Asset Purchase Agreement with Bayer, pursuant to which WuXi Biologics Germany will purchase from Bayer the Facility Assets of the biologics drug substance Manufacturing Plant located in Wuppertal, Germany, so as to continue the Group's global capacity expansion to further capture the growing demand for biologics manufacturing from worldwide customers. To ensure the smooth operation of the Manufacturing Plant after the Acquisition, WuXi Biologics Germany will, on the Completion Date, enter into the Sublease Agreement and the Transitional Service Agreement with Bayer in relation to a long-term sublease for the building housing the Manufacturing Plant and certain related transitional services, respectively. The aggregate value of the Transaction amounts to approximately EUR150 million (equivalent to approximately HK\$1,419 million).

ASSET PURCHASE AGREEMENT

Parties

- (1) WuXi Biologics Germany, as purchaser;
- (2) WuXi Biologics Ireland, as guarantor; and
- (3) Bayer, as seller

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Bayer and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

Subject Matter

WuXi Biologics Germany will purchase from Bayer the Facility Assets of the biologics drug substance Manufacturing Plant located in Wuppertal, Germany, the ownership and possession of which will be transferred from Bayer to WuXi Biologics Germany at Completion.

Consideration

The total consideration for the Acquisition is EUR110 million (equivalent to approximately HK\$1,041 million), which shall be paid by WuXi Biologics Germany to Bayer (being a listed company whose shares are traded on the German Stock Exchange) in cash upon Completion. The consideration was determined after arm's length negotiations between the parties with reference to, among other things, the prevailing market prices of the equipment and assets which form part of the Facility Assets, the expected value to be generated by the Facility Assets, the due diligence and analysis of the Facility Assets conducted by WuXi Biologics Germany and the reasons and benefits detailed in the below paragraph headed "Reasons for and Benefits of the Transaction". The consideration to be paid by WuXi Biologics Germany will be funded by the Group's internal financial resources.

Conditions Precedent

Completion is conditional on the fulfillment (or, where applicable, waiver) of certain conditions precedent under the Asset Purchase Agreement which include, but not limited to:

- (i) either the relevant governmental authorities having given the pre-merger clearance or no such pre-merger filing being necessary under the applicable laws; and
- (ii) there being no other foreign trade restriction or prohibition imposed by the relevant governmental authorities on the Acquisition under the applicable laws.

Seller's Guarantees

Under the Asset Purchase Agreement, Bayer has provided certain guarantees as to, among other things, its rights to enter into the Asset Purchase Agreement, its valid legal title to the Facility Assets and related permits and intellectual property rights, its compliance with the applicable laws in relation to the operation of the Manufacturing Plant and that there are no material litigation or disputes that limit its ability to operate the Manufacturing Plant in the ordinary course of business.

Completion

Completion shall take place on the first business day following the month in which the conditions precedent are fulfilled (or otherwise waived), provided that it shall be no later than September 30, 2021. It is expected that Completion will take place in the first half of 2021.

To ensure the smooth operation of the Manufacturing Plant after the Acquisition, WuXi Biologics Germany will, on the Completion Date, enter into the Sublease Agreement and the Transitional Service Agreement with Bayer in relation to a long-term sublease for the building housing the Manufacturing Plant and certain related transitional services, respectively.

SUBLEASE AGREEMENT

Parties

- (1) ZBRE, as lessor;
- (2) Bayer, as sublessor; and
- (3) WuXi Biologics Germany, as sublessee

Subject Matter

In conjunction with the Asset Purchase Agreement, WuXi Biologics Germany will, on the Completion Date, obtain from Bayer a sublease in respect of the area in building 207 used for the Manufacturing Plant and the associated laboratory, storage and administration area, which together amounts to approximately 28,599 sq. m. of gross floor area, together with 29 parking spaces.

The Sublease Agreement will be for an initial term of ten years commencing on the date of the actual handover of the Subleased Property to WuXi Biologics Germany, which is expected to take place on the Completion Date. WuXi Biologics Germany may extend the term of the sublease twice for a period of five years each by giving 24 months' advance written notice to Bayer before the expiry of the term of the sublease.

Base Rent

The amount of the base rent under the Sublease Agreement is estimated to be approximately EUR3.5 million (equivalent to approximately HK\$33.11 million) per annum (subject to adjustments in accordance with the terms of the agreement (if any)), which has been determined after arm's length negotiations between the parties with reference to, among others, the comparable rent of similar properties in the vicinity.

TRANSITIONAL SERVICE AGREEMENT

Parties

- (1) Bayer, as service provider; and
- (2) WuXi Biologics Germany, as service user

Subject Matter

After Completion, Bayer will also provide WuXi Biologics Germany certain transitional services relating to the Manufacturing Plant from Completion in accordance with the Transitional Service Agreement, and such services include alliance and program management, building ramp-up, IT separation and IT operations and ramp-up, services regarding plant adaptations and process implementation, handover and knowledge transfer.

The Transitional Service Agreement will be for an initial term of nine months commencing from the Completion Date and WuXi Biologics Germany may extend such term twice for a period of three months each.

Service Fee

The total amount of service fee under the Transitional Service Agreement is estimated to be approximately EUR1.8 million (equivalent to approximately HK\$17.1 million) (subject to adjustments in accordance with the terms of the agreement (if any)), which has been determined after arm's length negotiations between the parties with reference to, among others, the cost and expertise of Bayer for providing the services.

REASONS FOR AND BENEFITS OF THE TRANSACTION

The Directors are of the view that together with its drug product facility in Leverkusen, Germany, acquired from the Previous Transaction, the drug substance Manufacturing Plant with three 1000L perfusion and six 2000L fed-batch capacity for vaccines and biologics will allow the Group to gain access to high quality biologics commercial manufacturing capacity and capabilities to meet clients' increasing demand for outsourced manufacturing services, as well as further enhance its global network to supply COVID-19 vaccines and other biologics. As cornerstone of the Group's European network, the two facilities are expected to be ready for drug substance and drug product manufacturing by 2021. Furthermore, the Transaction represents a key component of the Group's "Global Dual Sourcing within WuXi Bio" strategy, which can generate great synergy with its existing network to continue to provide high-quality and efficient manufacturing services to enable the Group's global partners to benefit patients worldwide.

In light of the above, the Directors (including the independent non-executive Directors) consider that the terms of the Transaction are under normal commercial terms, fair and reasonable and in the interests of the Company and its shareholders as a whole.

INFORMATION ON THE PARTIES

Information on the Group

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 the biologics industry in both the PRC and other overseas countries.

Information on Bayer

Bayer is a global enterprise with core competencies in the life science fields of health care and nutrition. Its products and services are designed to benefit people by supporting efforts to overcome the major challenges presented by a growing and aging global population.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined under the Listing Rules) for the Transaction, whether on a standalone basis or when aggregated with the Previous Transaction which was conducted within 12 months of the Transaction, is more than 5% but is less than 25%, the Transaction constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

Further, pursuant to IFRS16, the leasing of the Subleased Property will be recognized as right-of-use assets of approximately HK\$397 million, calculated with reference to the present value of the aggregated payments to be made under the Sublease Agreement, and the entry into of Sublease Agreement will be regarded as an acquisition of asset under the definition of transaction set out in Rule 14.04(1)(a) of the Listing Rules.

DEFINITIONS

Unless the context otherwise requires, the following terms shall have the following meanings in this announcement:

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| “Acquisition” | the acquisition of the Facility Assets of the Manufacturing Plant by WuXi Biologics Germany from Bayer under the Asset Purchase Agreement |
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| “Asset Purchase Agreement” | the asset purchase agreement dated December 21, 2020 among WuXi Biologics Germany, WuXi Biologics Ireland and Bayer in relation to the Acquisition |
| “Bayer” | Bayer Aktiengesellschaft, a public limited company incorporated in Germany |
| “Board” | the board of Directors |
| “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 |
| “Completion” | the completion of the transfer of the Facility Assets from Bayer to WuXi Biologics Germany in accordance with the Asset Purchase Agreement |
| “Completion Date” | the date of Completion |
| “connected person(s)” | has the meaning ascribed to it under the Listing Rules |
| “Director(s)” | the director(s) of the Company |
| “Facility Assets” | (i) the clean room installations, piping hardware, technical facilities, heating, ventilation and air conditioning, utilities, process equipment, the distributed control system, IT-hardware as well as other individual systems and assets; (ii) the technical documentation, copies of such construction plans that may be of use in upkeep and modification of the Manufacturing Plant as well as in consultation and permit application with relevant authorities, copies of relevant parts of permit applications including annexes, warranties and operation and maintenance manuals strictly related to the Manufacturing Plant, in each case excluding process-specific sections, recipes and content protected by data protection laws; and (iii) the software rights strictly related to the operation of the Manufacturing Plant. For the avoidance of doubt, the Facility Assets do not include the Subleased Property |
| “Group” | the Company and its subsidiaries |
| “HK\$” | Hong Kong dollar(s), the lawful currency of Hong Kong |

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| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “IFRS” | International Financial Reporting Standards issued by the International Accounting Standards Board |
| “Listing Rules” | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited |
| “Manufacturing Plant” | a biologic drug substance plant owned by Bayer located in building 207 within the site in Wuppertal, Germany, as at the date of this announcement |
| “PRC” | the People’s Republic of China, which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan |
| “Previous Transaction” | the acquisition of certain biologic facility assets, entry into of a long-term sublease agreement and a service contract with Bayer by WuXi Biologics Germany, details of which are set out in the announcements of the Company dated January 16, 2020 and January 20, 2020, respectively |
| “sq. m.” | square meters |
| “Sublease Agreement” | the sublease agreement to be entered into among WuXi Biologics Germany, Bayer and ZBRE on the Completion Date in relation to the sublease of the Subleased Property by Bayer to WuXi Biologics Germany |
| “Subleased Property” | the area in building 207 used for the Manufacturing Plant and the associated laboratory, storage and administration area which together amounts to approximately 28,599 sq. m. of gross floor area, together with 29 parking spaces |
| “subsidiary(ies)” | has the meaning ascribed to it under the Listing Rules |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Transaction” | the transactions contemplated under the Asset Purchase Agreement, the Sublease Agreement and the Transitional Service Agreement |

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| “Transitional Service Agreement” | the transitional service agreement to be entered into among WuXi Biologics Germany and Bayer on the Completion Date in relation to the provision of certain transitional services of the Manufacturing Plant |
| “WuXi Biologics Germany” | WuXi Biologics Germany GmbH, a limited company incorporated in Germany and an indirect wholly owned subsidiary of the Company |
| “WuXi Biologics Ireland” | WuXi Biologics Ireland Limited, a limited company incorporated in Ireland and an indirect wholly owned subsidiary of the Company |
| “ZBRE” | Zweite Bayer Real Estate VV GmbH & Co. KG, a limited partnership incorporated in Germany and a subsidiary of Bayer |
| “%” | per cent |

Conversion of Euros into Hong Kong dollars is based on the exchange rate of EUR1.00 =HK\$9.46

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

Hong Kong, December 21, 2020

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

* *For identification purpose only*