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WUXI XDC CAYMAN INC.

藥明合聯生物技術有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2268)

**EXCEEDED ANNUAL CAPS
FOR CONTINUING CONNECTED TRANSACTIONS**

Reference is made to the Prospectus in relation to, among others, the Raw Materials Procurement Services Agreement and the General Services Agreement, each dated November 3, 2023 and entered into between the Company and WuXi Biologics. Unless otherwise defined, capitalized terms used herein shall have the same meaning as those defined in the Prospectus.

During the process of preparing the Company's consolidated financial statements for the year ended December 31, 2023, it was revealed that (i) the actual transaction amounts of the Raw Materials Procurement Services Agreement amounted to approximately RMB41.4 million for the year ended December 31, 2023 and (ii) the actual transaction amounts of the General Services Agreement amounted to approximately RMB17.4 million for the year ended December 31, 2023, which are higher than the original annual caps of RMB34.5 million for the Raw Materials Procurement Services Agreement and RMB15.0 million for the General Services Agreement.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, the Company is held as to approximately 50.10% by WuXi Biologics, and therefore, WuXi Biologics is a controlling shareholder of the Company. Thus, WuXi Biologics is considered as a connected person of the Company, and the Relevant CCT Agreements and the transactions contemplated thereunder constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules.

As the Actual Transaction Amounts have exceeded the Original Annual Caps, the Company is required to re-comply with the relevant requirements under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio in respect of each of the Relevant CCT Agreements is more than 0.1% but less than 5%, the Relevant CCT Agreements and the Revised Annual Caps are subject to announcement, reporting and annual review requirements but exempt from the circular and shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Directors (including the independent non-executive Directors) are of the view that the transactions contemplated under the Relevant CCT Agreements have been, and will continue to be, conducted in the ordinary course of business and on normal commercial terms, are fair and reasonable and in the interests of the Company and its Shareholders as a whole. Also, the terms of the Relevant CCT Agreements were determined after arm's length negotiations and are on normal commercial terms, which are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

BACKGROUND OF THE TRANSACTIONS

Reference is made to the Prospectus in relation to, among others, the Raw Materials Procurement Services Agreement and the General Services Agreement, each dated November 3, 2023 and entered into between the Company and WuXi Biologics. Unless otherwise defined, capitalized terms used herein shall have the same meaning as those defined in the Prospectus.

As disclosed in the Prospectus, the Stock Exchange has granted a waiver to the Company in respect of, among others, the Raw Materials Procurement Services Agreement and the General Services Agreement and the transactions contemplated thereunder from strict compliance with the announcement and independent shareholders' approval requirements under the Listing Rules. The waiver was subject to the annual caps for the year ended December 31, 2023 of RMB34.5 million and RMB15.0 million for transactions contemplated under the Raw Materials Procurement Services Agreement and the General Services Agreement, respectively.

EXCEEDED THE ORIGINAL ANNUAL CAPS

During the process of preparing the Company's consolidated financial statements for the year ended December 31, 2023, it was revealed that (i) the actual transaction amounts of the Raw Materials Procurement Services Agreement amounted to approximately RMB41.4 million for the year ended December 31, 2023 and (ii) the actual transaction amounts of the General Services Agreement amounted to approximately RMB17.4 million for the year ended December 31, 2023, which are higher than the Original Annual Caps.

REASONS FOR EXCEEDING THE ORIGINAL ANNUAL CAPS

The Actual Transaction Amounts have exceeded the Original Annual Caps primarily due to the following reasons:

- During the fourth quarter of 2023, the Group observed an even more rapid and robust business growth, and in particular, there was a notable increase in the number of projects involving GMP manufacturing services. In order to ensure smooth completion of such projects in a timely manner, the Company had obtained additional raw materials and general services from WuXi Biologics to fulfil such demands; and
- The Group continued to procure raw materials from the Remaining WXB Group which would enable the Company to enjoy the benefits from the economies of scale. In light of the increased demands from clients/partners for ADC CRDMO services, the Group had to procure additional raw materials to fulfil such demands.

ENHANCED INTERNAL CONTROL MEASURES

The Company was newly listed on November 17, 2023. It has adopted and implemented a management system on continuing connected transactions, and the Board and various internal departments of the Company are responsible for the control and management in respect of the continuing connected transactions.

In light of the above and in order to ensure the Company's compliance with the applicable Listing Rules requirements going forward and with a view to preventing such event from re-occurring, the Company has taken the following measures to further enhance and strengthen its internal control in respect of its continuing connected transactions:

- (a) the Company will arrange on regular basis additional trainings for its employees, including the business operation, finance, and legal and compliance departments, to strengthen their familiarity of the Listing Rules and enhance their awareness of the compliance with the relevant internal control procedures relating to the Group's continuing connected transactions;
- (b) the Board and various internal departments of the Company (including the business operation, finance, and legal and compliance departments) will be jointly responsible for evaluating the terms under the framework agreements for the continuing connected transactions, in particular, the fairness and reasonableness of the pricing policies and proposed annual caps under each transaction;
- (c) the Group will promote and facilitate effective communication between its different departments and between members of the Group, and specifying the data collection process, so as to assure all necessary requirements of the Listing Rules are complied with;

- (d) all members of the Group will be required to report to the finance department of the Company which will closely monitor, the actual transaction amounts relating to its continuing connected transactions on a regular basis. If the actual transaction amount reaches 90% of the proposed annual caps of the relevant continuing connected transactions at any time, the matter shall be escalated to the chief financial officer of the Company, who will seek advice from the Audit Committee and the Board for appropriate measures, including but not limited to revising the relevant proposed annual caps in accordance with the requirements of the Listing Rules, if necessary;
- (e) the Company's finance department will monitor the effectiveness and adequacy of the internal control measures and will conduct random internal testing on the internal control measures of the Company quarterly to ensure that the internal control measures in respect of all of the Group's continuing connected transactions remain complete and effective. The finance department will report such testing results and recommendation to the audit committee of the Company and the Board on a regular basis; and
- (f) the independent non-executive Directors and the external auditors of the Company will conduct annual review of the continuing connected transactions, and provide annual confirmation or issue a letter under Chapter 14A of the Listing Rules to ensure that, in accordance with the Listing Rules, the transactions contemplated thereunder are entered into the ordinary and usual course of business of the Group and conducted on normal commercial terms and according to the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The Directors are of the view that the above enhanced internal control measures could strengthen the internal control procedures of the Company and effectively prevent the occurrence of similar events in the future. Further, the Directors consider that the Original Annual Caps having been exceeded is mainly due to the faster-than-expected growth of the Group's business operation and is not systematic in nature, and that it does not bring about any material impact on the business and operations of the Company, nor does it have a material financial impact on the Company.

INFORMATION OF THE PARTIES

The Company

The Group is principally engaged in the provision of integrated and comprehensive services of contract research, development and manufacturing of antibody-drug conjugates and other bioconjugates.

WuXi Biologics

WuXi Biologics (Cayman) Inc. is an exempted company incorporated with limited liability in the Cayman Islands, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 2269). WuXi Biologics and its subsidiaries are principally engaged in the provision of one-stop end-to-end solutions and services for biologics discovery, development and manufacturing to customers involving in biologics industry in both the PRC and other overseas countries.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, the Company is held as to approximately 50.10% by WuXi Biologics, and therefore, WuXi Biologics is a controlling shareholder of the Company. Thus, WuXi Biologics is considered as a connected person of the Company, and the Relevant CCT Agreements and the transactions contemplated thereunder constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules.

As the Actual Transaction Amounts have exceeded the Original Annual Caps, the Company is required to re-comply with the relevant requirements under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio in respect of each of the Relevant CCT Agreements is more than 0.1% but less than 5%, the Relevant CCT Agreements are subject to announcement, reporting and annual review requirements but exempt from the circular and shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Directors (including the independent non-executive Directors) are of the view that the transactions contemplated under the Relevant CCT Agreements have been, and will continue to be, conducted in the ordinary course of business and on normal commercial terms, are fair and reasonable and in the interests of the Company and its Shareholders as a whole. Also, the terms of the Relevant CCT Agreements were determined after arm's length negotiations and are on normal commercial terms, which are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Dr. Zhisheng Chen and Dr. Weichang Zhou, who are both non-executive Directors, currently hold directorship and senior management roles at WuXi Biologics, and have, therefore, abstained from voting on the relevant Board resolutions approving the Relevant CCT Agreements. Save as disclosed above, none of the other Directors has, or is considered to have, any material interests in the transactions contemplated under the Relevant CCT Agreements.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Actual Transaction Amounts”	the respective actual transaction amounts in respect of the transactions under the Raw Materials Procurement Services Agreement and the General Services Agreement for the year ended December 31, 2023
“Audit Committee”	the audit committee of the Board
“Board”	the board of directors of the Company

“Company”	WuXi XDC Cayman Inc. (藥明合聯生物技術有限公司*), an exempted company incorporated under the laws of Cayman Islands with limited liability on December 14, 2020, the Shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“General Services Agreement”	the general services framework agreement dated November 3, 2023 entered into between WuXi Biologics and the Company
“Group”	the Company and its subsidiaries
“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
“Original Annual Caps”	the respective original annual caps in respect of the transactions under the Raw Materials Procurement Services Agreement and the General Services Agreement for the year ended December 31, 2023 as set out in the Prospectus
“Prospectus”	the prospectus of the Company dated November 7, 2023
“Raw Materials Procurement Services Agreement”	the raw materials procurement services framework agreement dated November 3, 2023 entered into between WuXi Biologics and the Company
“Relevant CCT Agreements”	collectively, the Raw Materials Procurement Services Agreement and the General Services Agreement
“Remaining WXB Group”	WuXi Biologics and its subsidiaries, excluding the Group
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary shares in the share capital of the Company with a par value of US\$0.00005 each
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“WuXi Biologics”

WuXi Biologics (Cayman) Inc. (藥明生物技術有限公司)*, an exempted company incorporated with limited liability in the Cayman Islands on February 27, 2014, with its shares being listed on the Main Board of the Stock Exchange (HKEx stock code: 2269), and a controlling shareholder of the Company

“%”

per cent

By order of the Board
WuXi XDC Cayman Inc.
Dr. Jincal LI

Executive Director and Chief Executive Officer

Hong Kong, February 9, 2024

As at the date of this announcement, the board of directors of the Company comprises (i) Dr. Jincal LI, Mr. Jerry Jingwei ZHANG and Mr. Xiaojie XI as executive directors; (ii) Dr. Zhisheng CHEN, Dr. Weichang ZHOU and Ms. Ming SHI as non-executive directors; and (iii) Dr. Ulf GRAWUNDER, Mr. Stewart John HEN and Mr. Hao ZHOU as independent non-executive directors.

* *For identification purpose only*