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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)

REVISION OF ANNUAL CAPS FOR RAW MATERIALS PROCUREMENT SERVICES AGREEMENT

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

The Company has continuously monitored the actual transaction amounts in respect of its continuing connected transactions. Based on the unaudited management accounts of the Company for the three months ended March 31, 2024, the Company expects that the actual transaction amounts in respect of the Raw Materials Procurement Services Agreement will exceed the original annual cap of RMB32.6 million for the year ending December 31, 2024. Thus, the Board has resolved to revise the Original Annual Caps to the Revised Annual Caps, while all the terms and conditions of the Raw Materials Procurement Services Agreement should remain unchanged.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, WuXi Biologics is a controlling shareholder of the Company and thus, a connected person of the Company under the Listing Rules. As such, the Raw Materials Procurement Services Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Pursuant to Rule 14A.54 of the Listing Rules, the Company shall re-comply with the applicable requirements under Chapter 14A of the Listing Rules in respect of the revision of the Original Annual Caps.

As the highest applicable percentage ratio in respect of the Revised Annual Caps is more than 0.1% but less than 5%, the revision of the Original Annual Caps is subject to announcement, reporting and annual review requirements, but is exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Directors (including the independent non-executive Directors) are of the view that the Raw Materials Procurement Services Agreement and the transactions contemplated thereunder have been entered into in the ordinary and usual course of business of the Group, and conducted on normal commercial terms according to the terms therein, and that such terms as well as the Revised Annual Caps are fair and reasonable, and in the interests of the Company and its Shareholders as a whole.

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

At the time of the Listing, the Stock Exchange has granted a waiver to the Company in respect of among others, the Raw Materials Procurement Services Agreement and the transactions contemplated thereunder from strict compliance with the announcement and independent shareholders' approval requirements under the Listing Rules, subject to the original annual caps of RMB34.5 million, RMB32.6 million and RMB21.3 million for the three years ending December 31, 2025, respectively. Later, it was revealed during the preparation of the Company's audited consolidated financial statements that the actual transaction amounts of the Raw Materials Procurement Services Agreement for the year ended December 31, 2023 was approximately RMB41.4 million and exceeded the original annual cap primarily due to an even more rapid and robust business growth of the Group during the fourth quarter of 2023 that led to further increase in the demand for the raw materials obtained from WuXi Biologics.

Since then, the Company has implemented enhanced internal control measures to strengthen its internal control and has continuously monitored the actual transaction amounts in respect of its continuing connected transactions. Based on the unaudited management accounts of the Company for the three months ended March 31, 2024, the Company expects that the actual transaction amounts in respect of the Raw Materials Procurement Services Agreement will exceed the original annual cap of RMB32.6 million for the year ending December 31, 2024. Thus, the Board has resolved to revise the Original Annual Caps to the Revised Annual Caps, while all the terms and conditions of the Raw Materials Procurement Services Agreement should remain unchanged.

REVISION OF ORIGINAL ANNUAL CAPS

The Original Annual Caps and the Revised Annual Caps are as follows:

	For the year ending December 31,	
	2024	2025
Original Annual Caps	RMB32.6 million	RMB21.3 million
Revised Annual Caps	RMB80.0 million	RMB75.0 million

Further, the actual transaction amounts for the year ended December 31, 2023 and the three months ended March 31, 2024 in respect of the Raw Materials Procurement Services Agreement are as follows:

	For the year ended	For the three
	December 31, 2023	months ended
		March 31, 2024
Historical transaction amounts	RMB41.4 million	RMB31.8 million ^(Note)

Note: Based on the unaudited management accounts of the Company for the three months ended March 31, 2024.

REASONS FOR REVISING AND BASIS FOR DETERMINING THE REVISED ANNUAL CAPS

The Group's XDC CRDMO business model has continued to fuel its exceptional business growth and outstanding results. In 2023, it exhibited exceptional growth in revenue and gross profit of 114.4% and 114.3%, respectively, and its adjusted net profit attributable to owners of the Company also increased by 112.1%. Furthermore, the total number of ongoing integrated projects increased by 52.1% from 94 in 2022 to 143 in 2023. In particular, the Group experienced even more rapid and robust business growth in the fourth quarter of 2023, and such momentum of growth carried forward into the first quarter of 2024. Given the strong clients' demand for XDC CRDMO services, it is imperative that the Group can timely procure sufficient raw materials to fulfil such demand. On this basis, the Group has stocked up on its inventory to ensure stable and steady supply of raw materials and to avoid any unnecessary delays or disruptions to the existing XDC CRDMO projects. To this end, the Company believes that procurement of raw materials through the Remaining WXB Group is a reliable source and allows the Group to enjoy the benefits from the economies of scale.

In addition, the Group's second Wuxi XDC facility has commenced operations since the fourth quarter of 2023. The new facility at Wuxi has significantly enhanced the Group's capability to provide GMP manufacturing services in relation to monoclonal antibody (mAb) intermediates that the Group were not able to fulfil in the past. As a result of such expansion, the Group is required to procure on behalf of its clients certain raw materials (e.g. resin) necessary for the provision of mAbs manufacturing services by the Group. The transaction amounts of these raw materials purchase orders are generally sizeable, and clients are generally required to pre-pay the full amount of those purchase orders when the Group procures on their behalf. As the scale of the Group's mAbs manufacturing capacity

ramped up faster than anticipated, the Group has received substantially higher volume of purchase orders for raw materials from its clients since January 2024. For example, only in the first quarter of 2024, the Group procured on behalf of its clients approximately RMB9.7 million worth of resin for the purpose of mAbs manufacturing, which represented approximately 29.8% of the original annual cap for 2024, as compared to approximately RMB0.4 million worth of resin being procured for the purpose of mAbs manufacturing during the year ended December 31, 2023. Accordingly, the Group has a genuine need to purchase additional raw materials in anticipation of the growing demand for manufacturing services in the coming years.

Having considered the above, the Board has resolved to revise the Original Annual Caps to the Revised Annual Caps, which are determined principally with reference to: (1) the actual transaction amounts in relation to the Raw Materials Procurement Services Agreement for the three months ended March 31, 2024 based on the Company's unaudited management accounts; (2) the expected transaction amounts in relation to the Raw Materials Procurement Services Agreement for the remaining nine months of 2024 based on the ongoing projects and purchase orders from clients; (3) the estimated new projects and purchase orders expected to be obtained by the end of 2024; (4) the estimated overall business growth of the Group and demand for raw materials from clients for 2025; and (5) the estimated purchase prices of the raw materials and the Group's increased capacity for procurement in 2024 and 2025.

The Directors (including the independent non-executive Directors) are of the view that the Raw Materials Procurement Services Agreement and the transactions contemplated thereunder have been entered into in the ordinary and usual course of business of the Group, and conducted on normal commercial terms according to the terms therein, and that such terms as well as the Revised Annual Caps are fair and reasonable, and in the interests of the Company and its Shareholders as a whole.

INFORMATION OF THE PARTIES

The Group

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 Stock Exchange (stock code: 2269). WuXi Biologics and its subsidiaries are principally engaged in the provision of end-to-end solutions and services for biologics discovery, development and manufacturing to customers involving in biologics industry in both the PRC and other overseas countries.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, WuXi Biologics is a controlling shareholder of the Company and thus, a connected person of the Company under the Listing Rules. As such, the Raw Materials Procurement Services Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Pursuant to Rule 14A.54 of the Listing Rules, the Company shall re-comply with the applicable requirements under Chapter 14A of the Listing Rules in respect of the revision of the Original Annual Caps.

As the highest applicable percentage ratio in respect of the Revised Annual Caps is more than 0.1% but less than 5%, the revision of the Original Annual Caps is subject to announcement, reporting and annual review requirements, but is exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Dr. Zhisheng Chen and Dr. Weichang Zhou, who are directors of both WuXi Biologics and the Company, have abstained from voting on the relevant Board resolutions approving the Revised Annual Caps in respect of the Raw Materials Procurement Services Agreement. Save as disclosed above, none of the other Directors has, or is considered to have, any material interests in the transactions contemplated under the Raw Materials Procurement Services Agreement.

DEFINITIONS

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

“Announcement”	the announcement of the Company dated February 9, 2024
“antibody drug conjugate(s)” or “ADC(s)”	an emerging class of highly potent biopharmaceutical drugs designed as a targeted therapy combining the specific targeting capabilities of monoclonal antibodies with the cancer-killing ability of cytotoxic drugs for the treatment of cancer
“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

“CRDMO”	Contract Research, Development and Manufacturing Organization
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries from time to time
“Listing”	the listing of Shares on the Main Board of the Stock Exchange on November 17, 2023
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended and supplemented from time to time
“Original Annual Caps”	the original annual caps in respect of the transactions under the Raw Materials Procurement Services Agreement for the two years ending December 31, 2024 and 2025 as set out in the Prospectus
“percentage ratio”	has the meaning ascribed to it under the Listing Rules
“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 and entered into between WuXi Biologics and the Company
“Remaining WXB Group”	WuXi Biologics and its subsidiaries, excluding the Group
“Revised Annual Caps”	the revised annual caps in respect of the transactions under the Raw Materials Procurement Services Agreement for the two years ending December 31, 2024 and 2025 as set out in the section headed “I. Revision of the Annual Caps for the Raw Materials Procurement Services Agreement” in this announcement
“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 and a controlling shareholder of the Company

“XDC(s)” bioconjugates extending beyond ADC first through conjugation of various payloads other than chemical drugs with antibodies, and then further through conjugation of various carriers (other than antibodies) with various payloads

“%” per cent

By order of the Board
WuXi XDC Cayman Inc.
Dr. Jincal LI
Executive Director and Chief Executive Officer

Hong Kong, April 26, 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*