OVERVIEW

As of the Latest Practicable Date, WuXi Biologics was directly interested in 60% of our total issued share capital and STA Pharmaceutical, an indirect subsidiary of WuXi AppTec, was directly interested in 40% of our total issued share capital. STA Pharmaceutical is directly wholly-owned by STA, which is in turn held as to 98.56% by WuXi AppTec (Shanghai) and WuXi AppTec (Shanghai) is directly wholly-owned by WuXi AppTec. Immediately following completion of the [**REDACTED**], WuXi Biologics and STA Pharmaceutical will respectively own approximately [**REDACTED**]% and [**REDACTED**]% of the total issued share capital of our Company (assuming the [**REDACTED**] is not exercised and without taking into account any exercise of the share options granted under the [**REDACTED**] Share Option Schemes), or approximately [**REDACTED**]% and [**REDACTED**]% of the total issued share capital of our Company (assuming the [**REDACTED**] is exercised in full and without taking into account any exercise of the share options granted under the [**REDACTED**] Share Option Schemes). Immediately upon the [**REDACTED**], WuXi Biologics, STA Pharmaceutical, STA, WuXi AppTec (Shanghai) and WuXi AppTec will remain as our Controlling Shareholders, and our Company will remain as a subsidiary of WuXi Biologics. For more details, please see the section headed "History, Reorganization and Corporate Structure" in this document.

BACKGROUND OF OUR CONTROLLING SHAREHOLDERS

WuXi Biologics has been listed on the Main Board of the Stock Exchange since 2017 (Stock Code: 2269) and is a leading global fully-integrated CRDMO which combines the business models of a contract research organization and a contract development and manufacturing organization to provide one-stop end-to-end biologics services. The WXB Group's CRDMO platform enables its clients and partners from as early as the discovery and pre-clinical stages of product development by establishing a strong position in terms of program design, to advancing promising programs into the early and late stages of clinical development and ultimately to commercial manufacturing.

WuXi AppTec has been listed on the Main Board of the Stock Exchange since 2018 (Stock Code: 2359) and the Shanghai Stock Exchange since 2018 (Stock Code: 603259.SH) and is a leading global pharmaceutical healthcare R&D and manufacturing services platform which provides integrated, end-to-end services including chemistry drug CRDMO, biology discovery, preclinical testing and clinical research services, cell and gene therapies CTDMO.

DELINEATION OF BUSINESS

We believe there is clear delineation between our business, on the one hand, and the CRDMO businesses of the Remaining WXB Group and the WXAT Group, on the other hand. Our core business is the provision of interdisciplinary and comprehensive services covering bioconjugate discovery, research, development and manufacturing (the "**Core Business**"). A client/partner that wishes to obtain CRDMO services for development of a new treatment for a given therapeutic indication will contract with us if the relevant treatment is an ADC, with the Remaining WXB Group if the relevant treatment is an unconjugated antibody (or other biologics product) and with the WXAT Group if the relevant treatment is a small molecule drug (or non-biologics pharmaceutical product). In no event will there be any direct competition between us and our Controlling Shareholders.

Involvement by us and our Controlling Shareholdings in our ADC CRDMO services

The following diagram depicts the steps of our ADC CRDMO services and the respective involvement by us and our Controlling Shareholders.

Stage	Key Steps	Involvement in our ADC CRDMO Services by		
		Our Group	The Remaining WXB Group	The WXAT Group
Drug Discovery	Target Nomination	No	Yes[1]	No
	Antibody Intermediates Discovery	No	Yes[1]	No
	Discovery Chemistry	Yes	No	No
	Payload-Linker Synthesis	Yes	No	No[5]
	Conjugation Discovery	Yes	No	No
	Developability Study	Yes	No	No
	In Vitro/In Vivo Characterization	Yes	No	No[6]
Pre-Clinical Development	IND Enabling Process Development	Yes	No	No
	Analytical Method Development	Yes	No	No
	Non-GMP Manufacturing of DS and DP	Yes	No	No
Early Phase (Phase I & II) / Late Phase (Phase III) / Commercial Production[7]	CMC Regulatory Support	Yes	No	No
	GMP Manufacturing and ADC DS/DP Testing Release	Yes	No	No
	Late-Stage Process Optimization, Process Characterization and PPQ	Yes	No	No
	mAb Intermediate Manufacturing	Yes	Yes[2][4]	No
	Payload-linker Manufacturing	Yes	No	Yes[3][4]
	Bioconjugate DS/DP Manufacturing	Yes	No	No

Notes:

(1) As the target nomination and antibody intermediates discovery are not part of the ADC drug development major steps and are not related to the core competences of our Group, these two steps will be covered by the Remaining WXB Group.

(2) The Remaining WXB Group conducts antibody intermediates manufacturing for use in ADCs when requested by our Group under the Antibodies Master Services Agreement. For details, please see "Connected Transactions — Non-exempt continuing connected transactions — 1. Antibodies Master Services Agreement" in this document.

(3) The WXAT Group conducts payload-linker manufacturing for use in ADCs when requested by our Group under the Payload-Linkers Master Services Agreement. For details, please see "Connected Transactions — Non-exempt continuing connected transactions — 8. Payload-Linkers Master Services Agreement" in this document.

(4) While the Remaining WXB Group and the WXAT Group conduct antibody intermediates and payload-linker GMP-manufacturing for use in ADCs to a limited extent, such overlap is being restricted to each one step within our bioconjugates CRDMO services and at the request of our Company under the framework of the continuing connected transactions as discussed above. As such, we believe that there will be no direct or material competition between us and the Remaining WXB Group or the WXAT Group upon the [**REDACTED**]. For details, please see "— Delineation of Business" in this section.

(5) Payload-linker synthesis is one of the steps of our ADC CRDMO services and refers to the development of optimal synthesis pathways and reaction conditions to chemically generate the payload-linker molecules needed for bioconjugates in high yield and quality, however such process is less complicated compared to other key steps, such as conjugation discovery. While the WXAT Group has retained the capability to conduct payload-linker synthesis, since the capability requirements of payload-linkers synthesis and development of other small molecule drugs (which is part of WXAT's services) are in nature similar, it will not do so for ADCs following the sale of the Payload & Linker Business to our Group in 2021.

(6) The WXAT Group has established a collection of in vitro assays and in vivo disease models to demonstrate the target engagement and to evaluate preclinical efficacies for all compounds and new modalities, which, however, is not considered as the core service offerings provided by our Group, and thus, would not result in any direct or material competition between our Group and the WXAT Group.

(7) Commercial production stage does not include the steps of late-stage process optimization, process characterization and process performance qualification.

The Remaining WXB Group

Fundamentally, our ADC CRDMO services consist of (i) discovery chemistry services, (ii) payload-linker synthesis services, (iii) conjugation discovery services, and (iv) mAb intermediates, payload-linker and bioconjugate DS/DP manufacturing services. For details, please see the section headed "Business — Our Business Model" in this document. With respect to three of these four categories (i.e., payload-linker synthesis services, conjugation discovery services and payload-linker and bioconjugate DS/DP manufacturing services), there is no actual or apparent overlap between our Core Business and the Remaining WXB Group's biologics CRDMO business. With respect to antibody intermediates in general, given that ADCs involve conjugated antibodies and the Remaining WXB Group provides CRDMO services with respect to unconjugated antibodies, there is in substance no overlap between the two business with respect to antibodies, for the following reasons.

There is clear delineation between ADCs and unconjugated antibodies in general

ADCs and unconjugated antibodies have very different mechanisms of action and correspondingly different therapeutic properties. ADCs and unconjugated antibodies can be complementary treatments for oncology indications (i.e., various types of cancer), rather than competing treatments, as can been seen from clinical trials of leading ADC players. ADCs approved by key global medical products regulators to date resemble unconjugated antibodies approved for oncology indications to date solely insofar as both have antibody intermediates that binds to a protein expressed on the surface of target cancer cells. However, beyond that point, the approved ADCs have an entirely different mechanism of action. Once the antibody intermediates of an ADC have bound to the relevant protein on the surface of the target cell, the entire ADC complex (i.e., the antibody intermediates together with the payload-linker) is internalized by the cancer cell, and the payload is then released inside the cancer cell, eventually leading to the death of the cancer cell.

Due to the above difference in mechanism of action, ADCs and unconjugated antibodies can be complementary modes of treating cancer rather than competing modes. Indeed, a single biopharmaceutical company could simultaneously develop an unconjugated antibody therapy and an ADC for the treatment of the same oncology indication without running the risk of competing with itself, since the two different therapies have different mechanisms of action and can be used in a complementary manner, rather than in a mutually exclusive manner; and some biopharmaceutical companies are currently doing so.

Our Group will continue to procure antibody intermediates related development, manufacturing and quality testing services from the Remaining WXB Group after the [**REDACTED**]. For details, please see the section headed "Connected Transactions — Non-exempt Continuing Connected Transactions — 1. Antibodies Master Services Agreement" in this document.

Approved ADCs and approved unconjugated antibodies to date are largely distinguishable on the basis of approved therapeutic indications to date

Of the 15 ADCs approved to date by key global medical products regulators and the 74 unconjugated antibodies approved by such regulators to date for oncology indications, only five of the ADCs overlap with the unconjugated antibodies in terms of both target antigen and target oncology indication. Subject to the foregoing limited exceptions, there is no overlap in terms of oncology indications that the prospective clients/partners of our business and the Remaining WXB Group's business (i.e., biopharmaceutical and biotechnology companies) have sought to address to date with approved ADCs and approved unconjugated antibodies by means of the same target antigens.

Even with respect to limited instances of overlapping indications, ADCs and unconjugated antibodies can be complementary therapies, either in distinct lines of treatment or as combination therapies administered concurrently.

As a result of targeting multiple key pathways in a synergistic or additive manner, the adoption of oncology drugs in combination therapies could have the potential to improve efficacy, treatment response rate and durability as compared to monotherapies. For example, currently, regulatory approvals have been granted to ADCs in combination with chemo-immunotherapy for hematological cancers, and FDA breakthrough designation has been granted for the Keytruda/Padcev combination therapy that is disclosed above. Other than immunotherapies, ADCs in combination with other targeted mAbs, such as the VEGF inhibitor bevacizumab, also have demonstrated increased efficacy in clinical phase studies.

There are distinct and clearly delineated uses of antibodies in our Core Business and the biologics CRDMO business, respectively

In the ADC development process, antibodies are developed solely for their targeting function, while the therapeutic effect of an ADC is delivered entirely by its cytotoxic payload. On the other hand, in the process of developing an unconjugated antibody therapy, the antibody is developed both for its targeting function and for its separate therapeutic effect. Antibody intermediates in our Core Business and antibodies in the biologics CRDMO business are used for distinctive purposes, which leads to clearly delineated procedures and specifications in the development process that follows. Indeed, according to Frost & Sullivan, there can be a larger pool of suitable antigens (or targets) and antibody intermediates for the development of the ADC drugs, and for targets that are considered to be difficult to address with antibody drugs, corresponding ADC drugs may potentially be developed. To better serve their development objectives, customers would find specific CRDMOs with the relevant capabilities and specify the specific purpose for the development of antibodies in the orders to their CRDMOs at the outset, which, as explained above, are different between our Core Business and the biologics CRDMO business, and the results of such orders are customized and cannot be substituted by each other.

Our Core Business and the biologics CRDMO business each has a distinct and clearly delineated focus of antibody intermediates discovery activities

The focus of the discovery process for our ADC CRDMO services versus the Remaining WXB Group's biologics CRDMO services is different. In principle, the overall ADC discovery process up to the identification of a preclinical ADC drug candidate with the desired properties involves the following key steps: (i) target nomination, (ii) antibody intermediates discovery, (iii) discovery chemistry, (iv) payload-linker synthesis, (v) conjugation discovery, (vi) developability study, and (vii) *in vitro* / *in vivo* characterization. However, for the purpose of achieving a clear delineation of business between the Remaining WXB Group and us, the Remaining WXB Group will cover the first two steps, i.e., (i) target nomination and (ii) antibody intermediates discovery, and our CRDMO services encompasses steps (iii)

through (vii) thereof, i.e., commencing from discovery chemistry through to *in vitro* / *in vivo* characterization. Since the target nomination and antibody intermediates discovery are not part of the ADC drug development major steps and are not related to the core competences of our Group, our focus on the overall ADC discovery process thus commences with discovery of the "C" of ADC, i.e., the conjugation discovery, which encompasses exploration of different payloads, linkers and conjugation technologies to generate ADC drug candidates with desired stability, safety and efficacy properties for further assessments. On the other hand, the steps in the ADC discovery process that are included in our CRDMO services (i.e., discovery chemistry, payload-linker synthesis, conjugation discovery, developability study and *in vitro* / *in vivo* characterization) are all more closely related to the close competences of our Group.

In light of the above, clients/partners may choose to supply their own antibody intermediates either in-house or through other third party service providers before engaging us for ADC CRDMO services. Alternatively, if clients/partners choose to engage the Remaining WXB Group for antibody intermediates discovery, they will enter into service contracts directly with the Remaining WXB Group; if they later decide to engage us for ADC CRDMO services following the antibody intermediates discovery, they will enter into service contracts directly with us. Given that such contracts (for different services) are independent and will not be bundled together, there will not be any reliance by us on the Remaining WXB Group in the provision of our ADC CRDMO services.

In contrast, in cases where customers source services from the Remaining WXB Group to develop unconjugated antibody drugs, the primary focus of the discovery activities of the biologics CRDMO business is to identify suitable antibody drug candidates that both specifically bind to desired disease-related antigens and elicit robust therapeutic functions. Moreover, discovery of novel antibody drug candidates in the Remaining WXB Group's biologic CRDMO business often involves nomination of novel antibody targets with differentiated disease mechanisms, whereas the discovery of antibody intermediates for ADCs is commonly based on established antibodies and mechanisms.

The WXAT Group

As a global company with operations across Asia, Europe, and North America, the WXAT Group provides a broad portfolio of R&D and manufacturing services that enable the global pharmaceutical and healthcare industry to advance discoveries and deliver groundbreaking treatments to patients. Through its unique business models, the WXAT Group's integrated, end-to-end services include chemistry drug CRDMO, biology discovery, preclinical testing and clinical research services, cell and gene therapies CTDMO, helping customers improve the productivity of advancing healthcare products through cost-effective and efficient solutions. According to Frost & Sullivan, most chemistry drugs are small molecule drugs, and when compared to chemistry drugs which the WXAT Group is involved in, ADCs and bioconjugate drugs are generally more complex in nature and require a different set of technology and manufacturing know-how to produce. The costs for chemistry drugs on the one hand and ADCs/bioconjugates on the other hand also vary significantly as the production process differs. The WXAT Group will continue to provide the aforementioned services. Notwithstanding that the WXAT Group will continue to provide us with payload-linkers manufacturing and related services after the [**REDACTED**], there is no actual overlap between our business and the WXAT Group's business which would interfere with the clear business delineation between the business of the WXAT Group and our business. Consequently, there will be no direct or material competition between us and the WXAT Group. For further details of the aforementioned payload-linker and related services provided by the WXAT Group, please see the section headed "Connected Transactions — Non-exempt Continuing Connected Transactions — 8. Payload-Linkers Master Services Agreement" in this document.

Conclusion

Our Group and the Remaining WXB Group respectively do not directly commercialize ADCs or unconjugated antibodies ourselves, but rather our Group and the Remaining WXB Group merely provide services to clients/partners that are developing and commercializing such products, and neither we nor the Remaining WXB Group determine which products our respective clients/partners will develop for which indications. Accordingly, even if there were any competition between an ADC and an unconjugated antibody therapy with respect to a given therapeutic indication, it would not constitute any direct competition between us and the Remaining WXB Group, but only competition between one of our clients/partners and a client/partner of the Remaining WXB Group. For substantially similar reasons, even if there were any competition between an ADC and chemistry drug with respect to a given therapeutic indication, it would not constitute any direct competition between us and the WXAT Group, but only competition between one of our clients/partners and a client/partner of the WXAT Group.

Based on the foregoing, we believe that (i) there is clear delineation between our business, on the one hand, and the respective businesses of the Remaining WXB Group and the WXAT Group, on the other hand; (ii) there will be no direct or material competition between us and the Remaining WXB Group or the WXAT Group upon the [**REDACTED**]; and (iii) sufficient arrangements are or will be in place to ensure the clear delineation and minimal competition between us and the Remaining WXB Group or the WXAT Group.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying out our business independently from our Controlling Shareholders after the [**REDACTED**]. As of the Latest Practicable Date, our Controlling Shareholders did not have any interest in any business which competes or is likely to compete, either directly or indirectly with our Company's business which would require disclosure under Rule 8.10 of the Listing Rules.

Management Independence

Our business is managed and conducted by our Board and senior management. Our Board comprises three executive Directors, three non-executive Directors and three independent non-executive Directors. The table below sets forth the overlapping directors between our Group on the one hand and our Controlling Shareholders and their respective close associates on the other hand:

Name	Positions in our Company	Position and responsibilities in our Controlling Shareholders
Dr. Zhisheng Chen	Non-executive Director and chairman	Executive director and chief executive officer of WuXi Biologics and is responsible for the overseeing the overall management of the business, strategy and corporate development of the Remaining WXB Group

Name	Positions in our Company	Position and responsibilities in our Controlling Shareholders
Dr. Weichang Zhou	Non-executive Director	Executive director, president of global biologics development operations and chief technology officer of WuXi Biologics and is responsible for overseeing the development and manufacturing of biologics of the Remaining WXB Group
Ms. Ming Shi	Non-executive Director	Chief financial officer of WuXi AppTec, director of STA Pharmaceutical and director of WuXi AppTec (Shanghai)

Dr. Zhisheng Chen, Dr. Weichang Zhou and Ms. Ming Shi are non-executive Directors of our Company, and they do not hold any management position within our Group except for being our non-executive Directors, and are not involved in the daily management of our Company. Save as disclosed above, none of the remaining members of the Board, including our executive Directors and members of senior management, holds any management positions in our Controlling Shareholders and their respective close associates.

Despite of the aforesaid overlapping Directors, we believe that our Directors and senior management are able to function independently from our Controlling Shareholders for the following reasons:

i. each Director is aware of his/her fiduciary duties as a Director of our Company which requires, among other things, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interests;

ii. in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Company and our Controlling Shareholders or their respective associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions, and shall not be counted in the quorum;

iii. our Board comprises nine Directors, and three of them are independent non-executive Directors, which represents one-third of the members of the Board. Our independent non-executive Directors have extensive experience in different areas and have been appointed in accordance with the requirements of the Listing Rules to ensure that the decisions of the Board are made after due consideration of independent and impartial opinions. We believe our independent non-executive Directors will bring independent judgment to the decision-making process of our Board. For more details, please see "— Corporate Governance Measures" in this section; and

iv. our executive Directors and senior management members are independent from our Controlling Shareholders. They have substantial experience in the industry which we are engaged in. Accordingly, they are able to discharge their duties independently from our Controlling Shareholders.

Operational Independence

Although our Controlling Shareholders will remain as the controlling shareholders of our Company upon the [**REDACTED**], we are of the view that we will continue to carry out our business operations independently from our Controlling Shareholders and their respective close associates for the reasons stated below.

Customers

The sales made by our Group and our Controlling Shareholders to their respective clients/partners are carried out separately pursuant to individual sales contracts and are not bundled together, and in particular:

i. prior to entering into a sales contract with our Group, clients/partners are generally aware of what type of CRDMO services they are seeking from our Group, and they will contract directly with our Group to obtain the required ADC CRDMO services. The sales contract entered is, therefore, tailored to the customer's needs for the development of an ADC as required;

ii. any client/partner that requires CRDMO services in relation to both ADCs and unconjugated biologics (including, but not limited to, unconjugated mAbs, BsAbs, multispecific antibodies, proteins and vaccines) would obtain such services separately from our Group (in the case of ADCs) and from the Remaining WXB Group (in the case of unconjugated biologics);

iii. payments for our ADC CRDMO services are received in accordance with a pre-agreed payment schedule specified in the relevant contracts. The payment schedule sets out the fees for services to be provided at relevant discovery, development or manufacturing steps that fall under the scope of work in the contract;

iv. for each ADC CRDMO project, clients/partners would enter into individual sales contracts with our Group, and each individual sales contract relates to one particular ADC CRDMO project only. Accordingly, neither our Group nor the Remaining WXB Group has entered into any sales contract that covers both biologics CRDMO services and ADC CRDMO services at the same time; and

v. the WXAT Group provides integrated, end-to-end services including chemistry drug CRDMO, biology discovery, preclinical testing and clinical research services, cell and gene therapies CTDMO independently from our Group to its customers.

Sourcing of clients/partners

We conduct our own sales and marketing primarily through our own sales and marketing team. Further, we acquire new clients/partners mainly through (i) the existing relationship between the prospective clients/partners and the Remaining WXB Group, and (ii) our Group's own independent marketing efforts. Notwithstanding that some of our clients/partners are also clients/partners of the Remaining WXB Group and the WXAT Group, we have entered into separate sales contracts with our clients/partners which are not bundled together with our Controlling Shareholders or their close associates. The Remaining WXB Group will continue to refer to our Group clients/partners that contemplate on the development of an ADC on a no-fee basis. In addition, as the business of our Group continues to grow, we believe will be able to further obtain new clients/partners through our own independent marketing efforts. Thus, we are able to operate independently from, and do not rely on, our Controlling Shareholders in terms of provision of services to clients/partners and sourcing of clients/partners.

Suppliers and Procurement

We have established our own procurement team that operates independently of our Controlling Shareholders. During the Track Record Period, we had sourced certain raw materials through the centralized procurement system of the WXB Group, and we had also obtained certain project management services and antibody intermediates manufacturing and other related services from the Remaining WXB Group, and manufacturing services in relation to payload-linkers and related intermediate products from the WXAT Group. Despite the foregoing, our Directors are of the view that our procurement does not result in any reliance on our Controlling Shareholders for the following reasons:

(i) *Procurement of raw materials.* The raw materials procured by us through the centralized procurement system of the WXB Group are predominately off-the-shelf lab supplies, such as various types of liquid containers and mixer bags, tubing, filters and chemicals, and given the lab supplies are commonly used, some of our major suppliers during the Track Record Period have overlapped with the Remaining WXB Group's own suppliers. The procurement of raw materials through the WXB Group's centralized procurement system has enabled us to benefit from the substantial economies of scale that are associated with the magnitude of the WXB Group's global business. However, this is not a cause for concern as advised by Frost & Sullivan, given the raw materials we use are widely available in the market from a large number of alternative suppliers, in the unlikely event of any shortage of supply, such supplies would be readily available to our Group from various independent suppliers based on normal and commercial and comparable terms (including both quality and price). As our procurement team is still being expanded, we have entered into continuing connected transactions with the Remaining WXB Group for the supply of raw materials, the transaction amount of which is expected to decrease in the future given our procurement team will gradually conduct more procurement for our Group as our business and operation expands. For further details, please see the section headed "Connected Transactions — Non-exempt Continuing Connected Transactions — 2. Raw Materials Procurement Services Agreement" in this document.

(ii) *Procurement of PPE*. During the Track Record Period, we had obtained project management services from the Remaining WXB Group in relation to the development and construction of our facilities. We turn to the Remaining WXB Group for these project management services because, in general, the Remaining WXB Group has world-class experience in the design and construction of facilities for research and development relating to, and manufacturing of, biologics, and such experience is highly relevant to the construction of our new facilities. We also procured certain property, plant and equipment ("**PPE**") from some overlapping suppliers of the Remaining WXB Group. The procurement of PPE generally relates to the design and construction of new facilities. Such purchases from the overlapping suppliers were made directly by our Group with the suppliers on a project-by-project basis and was in the ordinary course of our business. As advised by Frost & Sullivan, such supplies of PPE would be readily available to both our Group and the Remaining WXB Group from alternative suppliers on normal commercial and comparable terms (including both quality and price). After the [**REDACTED**], we will continue to procure project management services from the Remaining WXB Group to provide project management services in respect of our facilities under construction and planning. For details on the Project Management Services Agreement, please see the section headed "Connected Transactions — Non-exempt Continuing Connected Transactions — 3. Project Management Services Agreement" in this document.

(iii) *Procurement of antibody intermediates manufacturing and other related services*. During the Track Record Period, we had engaged the Remaining WXB Group in relation to antibody intermediates development, manufacturing and quality testing services, which we believe is more desirable and better serves the interests of our Group, as purchase of such services from the Remaining WXB Group would ensure a stable, uninterrupted and trusted source of supply of antibody intermediates for our business. As confirmed by Frost & Sullivan, it is common market practice for third party suppliers to provide antibody intermediates manufacturing services for the conjugation process in the provision of ADC CRDMO services and apart from the Remaining WXB Group, which is one of the leading global biologics CRDMO, there are many other independent third party suppliers from which we may obtain antibody intermediates manufacturing services on normal and comparable commercial terms (including both quality and price). Our procurement of antibody intermediates manufacturing and other related services from the Remaining WXB Group will continue after the [**REDACTED**]. At the same time, we will continue to build upon our antibody intermediates manufacturing capacity, including our new Wuxi ADC facility which commenced operation in September 2023, upon which we would be able to commence in-house antibody intermediates manufacturing and substantially increase our capacity. Accordingly, our demand for antibody intermediates manufacturing services from external sources is expected to decrease going forward. For details, please see the section headed "Connected Transactions — Non-exempt Continuing Connected Transactions — 1. Antibodies Master Services Agreement" in this document.

(iv) *Procurement of payload-linkers manufacturing and other related services.* We entered into agreement to acquire the Payload & Linker Business (which includes the customer resources, personnel and assets relating to such business) from STA in July 2021 to complement our Core Business. While the WXAT Group has some residual capabilities on development and manufacturing of payload-linkers that can be used for an ADC drug for the reason that payload-linkers are effectively a type of highly active cell-killing toxic small molecule drug which can also be utilized in a non-ADC application (for example, chemotherapy drugs), the WXAT Group will utilize such capabilities to manufacture and supply payload-linkers for use in ADC CDRMO services only at our request under the Payload-Linkers Master Services Agreement. Consequently, there will be no direct or material competition between us and the WXAT Group. During the Track Record Period and after our acquisition of the Payload & Linker Business from STA, we had engaged the WXAT Group for the provision of manufacturing services of payload-linkers and related intermediate products (which are chemical intermediates that some of our projects may require depending on the project specifications of our clients/partner). We believe that it has been beneficial to our Group, as the WXAT Group is able to ensure a stable, uninterrupted and trusted source of supply of payload-linkers and related intermediate products for our business. While we will substantially increase our capacity for the manufacturing of payload-linkers through our new Wuxi ADC facility which commenced operation in September 2023, we anticipate that our future demand for payload-linkers will exceed our expanded capacity in the near term, as the demand from clients/partners for our Group's ADC CRDMO services, and consequently, payload-linkers, is expected to grow continuously. Such unfulfilled demand for payload-linkers manufacturing and related services will be satisfied by the WXAT Group, or if the situation requires, by third party suppliers as they are commonly available on the market. As confirmed by Frost & Sullivan, it is common market practice for third party suppliers to provide payload-linkers for the conjugation process in the provision of ADC CRDMO services, which are readily available on normal and comparable commercial terms (including both quality and price). As we will

continue to build upon our payload-linkers manufacturing capacity, our demand for payload-linkers manufacturing services from external sources is expected to decrease going forward, thereby resulting in a decreasing trend of the annual caps between 2023 and 2025 under the Payload-Linkers Master Services Agreement. For details, please see the section headed "Connected Transactions — Non-exempt Continuing Connected Transactions — 8. Payload-Linkers Master Services Agreement" in this document.

The following table sets forth a breakdown of the source of antibody intermediates and payload-linkers used in our integrated projects as a percentage of our total number of integrated projects as of the dates indicated:

		As of December 31,						As of June 30,	
		2020[3]		2021		2022		2023	
	Source	Number of projects	% over total number of projects	Number of projects	% over total number of projects	Number of projects	% over total number of projects	Number of projects	% over total number of projects
Antibody intermediates[1]	Supplied by the Remaining WXB Group	24	60.0%	36	60.0%	69	73.4%	80	72.7%
	Supplied by clients/partners or third parties[2]	16	40.0%	24	40.0%	25	26.6%	30	27.3%
Payload-linkers	Supplied by our Group/the WXAT Group[4]	N/A	N/A	26	43.3%	43	45.7%	52	47.3%
	Supplied by clients/partners or third parties[2]	N/A	N/A	34	56.7%	51	54.3%	58	52.7%

Notes:

1. During the Track Record Period, we did not have our own in-house manufacturing capacity with respect to antibody intermediates. The antibody intermediates used by us in the provision of our ADC CRDMO services were, unless supplied by our clients/partners, sourced from the Remaining WXB Group through the manufacturing and other related services we procured from it.
2. Antibody intermediates and payload-linkers supplied by our clients/partners include those manufactured by themselves internally and those sourced externally directly by them from other third parties.
3. We acquired the Payload-Linker Business in 2021 and commenced operations in the same year.
4. Since our acquisition of the Payload-Linker Business in 2021, we have fulfilled all non-GMP manufacturing needs of payload-linkers used in our integrated projects. As we did not have large scale GMP manufacturing capabilities for payload-linkers until completion of our new ADC facility in Wuxi, which commenced operation in September 2023, we have outsourced the GMP manufacturing of payload-linkers for certain of our integrated projects to the WXAT Group. For illustrative purposes, among the 26, 43 and 52 of our ongoing integrated projects as of December 31, 2021, December 31, 2022 and June 30, 2023, respectively, the GMP manufacturing of payload-linkers for 23, 37 and 44 projects (representing approximately 88.5%, 86.0% and 84.6%) were fulfilled by the WXAT Group, respectively, as of the corresponding dates.

Notwithstanding that a substantial portion of our antibody intermediates and payload-linkers was sourced from our Controlling Shareholders through the manufacturing and other related services we procured from them during the Track Record Period, with the commencement of our new ADC facility in Wuxi in September 2023, we will substantially increase our manufacturing capacity, which is expected to cause our demand for antibody intermediates and payload-linkers manufacturing and other related services from our Controlling Shareholders to continue to display a decreasing trend. For details, please see the sections headed "Connected Transactions — Non-exempt Continuing Connected Transactions — 1. Antibodies Master Services Agreement" and "— 8. Payload-Linkers Master Services Agreement" in this document. The Remaining WXB Group and WXAT Group does not conduct antibody intermediates and payload-linkers manufacturing in relation to ADCs for other parties, other than as engaged by our Group. As such, we believe that there will not be any undue reliance by us on our Controlling Shareholders with respect to the procurement of antibody intermediates and payload-linker manufacturing and other related services and that there is a clear delineation between our business and the respective businesses of the Remaining WXB Group and the WXAT Group.

Facilities

As of the Latest Practicable Date, we had three facilities in Shanghai, Changzhou and Wuxi, all of which operate independently of our Controlling Shareholders. We have built another ADC facility in Wuxi which has dual manufacturing functions of mAbs, payload-linkers, DS and DP, fill/finish and packaging with target GMP release and has commenced operation in September 2023. We also plan to develop new facilities and expand our existing facilities with [**REDACTED**] from the [**REDACTED**], including, without limitation, the construction of a new facility in Singapore for DS and DP discovery and development, which is expected to commence operation by 2026. The completion of our new ADC facility in Wuxi and the expected completion of our new ADC facility in Singapore by 2026 will bring us increased capacity in development and production and thus, enable us to continue to carry out our business operations independently of and without any undue reliance on our Controlling Shareholders and their close associates.

We leased a property from STA Changzhou for our facility in Changzhou for our predominantly non-GMP manufacturing of payload-linkers for predominately meeting our research and development needs, an arrangement which will continue after the [**REDACTED**]. We have not acquired or leased any GMP manufacturing facilities, whether from the WXAT Group or other third parties, since we had drawn up plans to construct our new all-in-one facilities in Wuxi and Singapore which will provide us with GMP manufacturing capabilities, and prefer to continue engaging the WXAT Group for the provision of payload-linker and related services for better commercial benefits. The leased property has a total area of approximately 820 sq.m. only and is mainly for our laboratory and office use in relation to the payload-linkers development. For more details of the lease from STA Changzhou, please see the section headed "Connected Transactions — Non-exempt Continuing Connected Transactions — 9. WXAT Property Lease" in this document. In view of the demand for the GMP manufacturing of payload-linkers which we require as part of our ADC CRDMO services, we have historically engaged the WXAT Group to provide such services, a practice which we expect to continue after the [**REDACTED**]. With the commencement of operation of our new Wuxi ADC facility in September 2023, we will also be able to substantially increase our capacity for the GMP manufacturing of payload-linkers. For more details of our facilities, please see the section headed "Business — Facilities" in this document.

Employees

We recruit our full-time employees independently from our Controlling Shareholders. As of September 30, 2023 we had 1,110 employees who are responsible for carrying out the business operations of our Group under the leadership of our senior management team. Since the formation of our Group, the Remaining WXB Group and the WXAT Group have respectively transferred around 140 and 50 personnel to our Group as our full-time employees, who were involved in the R&D function of our Group, of which five are our key R&D personnel. Set forth below are details of such key personnel:

Current Title of Key Personnel	Previous Role at our Controlling Shareholders	Expertise	Material Contributions
Head of mAb/BCM manufacturing of our Group	Head of mAb/BCM manufacturing of the XBCM1 (DP3) business unit of the WXB Group	Antibody and drug conjugate substance production and process scale-up	Led the production team of antibody-conjugated stock solution
Head of DP manufacturing of our Group	Head of DP manufacturing of the XDP1 (DP3) business unit of the WXB Group	Drug clinical and commercial production and project transfer	Led his team to complete over 220 instances of batch preparation production
Head of discovery service of our Group	Head of bioconjugation discovery service of the BCD business unit of the WXB Group	Bioconjugation discovery	Successfully contributed to the advancement of 28 lead molecules to CMC stage
Head of bioconjugation process development of our Group	Head of bioconjugation process development of the BCD business unit of the WXB Group	Process development, non-GMP production, technology transfer and process characterization of bioconjugates	Led more than 100 bioconjugate drug process development
Head of payload-linker division of our Group	Head of payload-linkers development and manufacturing of the payload-linker division of STA Changzhou	Process development and manufacturing of small molecule, API, HPAPI and payload-linkers	Led the process development and manufacturing activities of payload-linkers for client specific molecules under non-GMP and GMP conditions

We do not rely on any R&D and other key personnel of our Controlling Shareholders in our operations. Our Controlling Shareholders only provide us with manufacturing and other related services in respect of antibody intermediates and payload-linkers for our ADC CRDMO services. Given that our self-sufficient in-house R&D department is manned by 359 dedicated employees, being approximately 41% of the total number of employees of our Group, who collectively possess deep experience and know-how, and that we will continue to recruit new talents, our Directors are of the view that we have sufficient expertise and resources to carry out our ongoing projects independently of our Controlling Shareholders. As our R&D department has been operating as a well-oiled machine since the formation of our Group and throughout the Track Record Period, we believe that the timely addition of our chief technology officer Dr. Marie Meiying Zhu, as a well-regarded and seasoned expert in drug development, in particular, ADC development, will offer great assistance to us in our further development and enhancement of the scale and capabilities of our R&D department. As of the Latest Practicable date, none of our key R&D personnel transferred from our Controlling Shareholders was involved in any function of our Controlling Shareholders.

We have also established independent key functional departments, including finance and internal audit. Accordingly, our Group has sufficient number of employees necessary to make key decisions on, and to carry out, our business operations independently of our Controlling Shareholders. For further details, please see the section headed "Business — Employees" in this document.

Intellectual property rights

We use, and will continue to use, intellectual property rights that are material to our business, including, without limitations, the patents and trademarks relating to the processes for preparing ADC with improved homogeneity (WuXiDAR4). Such intellectual property rights related to our ADC CRDMO services are developed and invented solely by the research and development personnel of our Group, without the involvement of any personnel of our Controlling Shareholders. The intellectual property rights which are exclusive to our business were transferred to our Group from the Remaining WXB Group at nil consideration, given that the rightful ownership of such intellectual property rights belongs to our Group.

The inventors of the patent were employees of the BCD business unit of the Remaining WXB Group, and the BCD business unit was transferred to our Group. For details of the transfer, please see the section headed "History, Reorganization and Corporate Structure — Major Acquisition and Transfers during the Track Record Period — Transfer of the BCD business unit" in this document.

For details of all the patents and patent applications which have been transferred or assigned from the Remaining WXB Group to us as of the Latest Practicable Date, please see the section headed "Appendix IV — Statutory and General Information — C. Further Information about our Business — 2. Intellectual Property Rights of our Group — (b) Patents" in this document.

As of the Latest Practicable Date, relevant members of the Remaining WXB Group have completed the assignment of the ownership of all the registered intellectual property rights related to our business to members of our Group. On the other hand, our Group has not used, and has no intention to use, any intellectual property rights owned or developed by the WXAT Group. As a result, we do not, and will not, rely on any intellectual property rights, trade secrets and know-how belonging to our Controlling Shareholders for the operation of our business.

Connected Transactions with our Controlling Shareholders

The connected transactions set out in the section headed "Connected Transactions" in this document have been, and will be, conducted in the ordinary and usual course of business of our Group, on an arm's length basis and on normal commercial terms or better. Given the established long-term relationship between us and the Remaining WXB Group and WXAT Group, and in particular the fact that each of the Remaining WXB Group and the WXAT Group will remain to be a controlling shareholder of our Company after the [**REDACTED**], such connected transactions are unlikely to be materially adversely changed or terminated. Even in an unlikely event that our Controlling Shareholders terminates any connected transactions with us, for the reasons set out above, we do not consider such termination will materially and adversely affect our business.

By virtue of the aforesaid, our Directors believe that we are able to operate our business independently from our Controlling Shareholders and their respective close associates.

Financial Independence

As of the Latest Practicable Date, our Group did not have any outstanding loans or advances due to or from our Controlling Shareholders or their respective close associates or financial assistance arrangement with our Controlling Shareholders or their respective close associates, and our Group had not provided any guarantee in respect of any loans of our Controlling Shareholders and their respective close associates and vice versa.

As of June 30, 2023, the trade receivables to our Group by the Remaining WXB Group amounted to approximately RMB78.1 million, representing approximately 5.37% of our total current assets. Also, as of June 30, 2023, the trade payable from the Remaining WXB Group to our Group amounted to approximately RMB429.6 million, representing approximately 41.35% of our total current liabilities.

As of June 30, 2023, the trade receivables to our Group by the WXAT Group amounted to approximately RMB10.7 million, representing approximately 0.73% of our total current assets. Also, the trade payables from the WXAT Group to our Group amounted to approximately RMB55.2 million, representing approximately 5.31% of our total current liabilities.

Our financial reporting system is independent from that of our Controlling Shareholders and their respective close associates. Our Group makes financial decisions according to our own business needs, and the major financial operations are handled by our finance and accounting department, which operates independently from our Controlling Shareholders and their respective close associates. Further, our Group will not be dependent on our Controlling Shareholders or future financing, and will be capable of raising our own finance when required without the support of our Controlling Shareholders. We do not share any other functions or resources with our Controlling Shareholders or their respective close associates.

Based on the above, our Directors believe that our Group is able to operate with financial independence from our Controlling Shareholders and their respective close associates.

DEED OF NON-COMPETITION

On [●], 2023, WuXi Biologics has entered into a deed of non-competition (the "**Deed of Non-Competition**") in favor of our Company, pursuant to which WuXi Biologics has undertaken to our Company that it will not and will procure its close associates (except any member of our Group) not to, directly or indirectly (whether in the capacity of principal or agent, whether for its own benefit or jointly with or on behalf of any person, firm or company), commence, engage in, participate in or acquire any business (other than our business) which competes or may compete directly or indirectly with our Core Business ("**Restricted Business**").

WuXi Biologics has further undertaken that during the Restricted Period (as defined below), it shall, and shall procure its close associates (except any member of our Group) (WuXi Biologics and its close associates together, "**Offeror**") to offer any new business investment or other business opportunity ("**New Business Opportunity**") relating to the Restricted Business to our Company first in the following manner when such New Business Opportunity is identified or made available to the Offeror:

i. the Offeror will make referral of the New Business Opportunity to our Company, and will within thirty (30) days ("**Restricted Period**") inform us in writing ("**Offer Notice**") about all necessary and reasonably required information in respect of any New Business Opportunity (including but not limited to details of the nature and investment or acquisition cost of the New Business Opportunity) for our Company to consider (a) whether the relevant New Business Opportunity will compete with our business, and (b) whether taking up the New Business Opportunity is in the interest of our Group;

ii. upon receipt of the Offer Notice, the independent non-executive Directors will consider whether to pursue or decline the New Business Opportunity taking into account whether the relevant New Business Opportunity would be able to achieve a sustainable profitability level, whether they are in line with the prevailing development strategies of our Group, and whether they are in the best interest of the Shareholders. Our Company must inform the Offeror in writing within thirty (30) Business Days after receipt of the Offer Notice of our decision on whether the New Business Opportunity will be pursued; and

iii. only when (a) the Offeror has received our notice to decline the New Business Opportunity or our confirmation that the relevant New Business Opportunity are not considered to be able to compete with our Restricted Business; or (b) the Offeror has not received the relevant notice from our Company within the period as stated above in paragraph (ii) after the Offer Notice has been received by us, then the Offeror is entitled to take up the New Business Opportunity on terms and conditions not more favorable than those specified in the Offer Notice issued to us.

If there are any material changes in relation to the terms and conditions of the New Business Opportunity after the referral of which have been made or procured to be made to our Company by the Offeror, referral of the revised New Business Opportunity shall be made by the Offeror to us again in the manner as stated above.

The undertakings under the Deed of Non-Competition are not applicable in the following circumstances:

i. WuXi Biologics and/or its respective close associates engage in the Restricted Business directly or indirectly through the ownership of equity interest in any member of our Group; or

ii. WuXi Biologics and/or its respective close associates engage in the Restricted Business directly or indirectly through the ownership of equity interest in listed companies other than our Group, with the following conditions being satisfied:

   a. the Restricted Business (and relevant assets) conducted or carried out by such company represents less than 10% of the revenue or total assets of such company according to the latest audited accounts of such company; and

   b. WuXi Biologics and/or its respective close associates (except any member of our Group) hold in aggregate not more than 10% of the issued share capital of relevant class of shares of such company, and WuXi Biologics and/or its respective close associates (except any member of our Group) have no right to appoint the majority of directors of such company or participate in the management of such company.

In addition, our Company has taken, or will take, the following measures to safeguard good corporate governance standards in respect of the Deed of Non-Competition:

i. the independent non-executive Directors will review the compliance with the undertakings under the Deed of Non-Competition by WuXi Biologics on an annual basis;

ii. WuXi Biologics will provide or procure the provision of all necessary information required for the Board's annual review of compliance with the Deed of Non-Competition; and

iii. WuXi Biologics will make an annual declaration on its compliance with the Deed of Non-Competition in our annual report;

The Deed of Non-Competition will lapse automatically if WuXi Biologics ceases to be a controlling shareholder of our Company or if our Shares cease to be [**REDACTED**] on the Stock Exchange.

CORPORATE GOVERNANCE MEASURES

We have put in place sufficient corporate governance measures to manage the conflict of interest and potential competition from our Controlling Shareholders and safeguard the interest of the Shareholders, including:

i. if a Director has a material interest in a particular transaction, he shall abstain from voting in any matters relating to such transaction being considered at the Board meeting and he will not be counted as a quorum of the Board meeting;

ii. if disinterested Directors (including the independent non-executive Directors) reasonably seek to obtain independent and professional advice (such as financial adviser advice), the costs incurred for obtaining such advice will be borne by our Company;

iii. our Company has established internal control mechanisms to identify connected transactions. Upon the [**REDACTED**], if our Company enters into connected transactions with any of our Controlling Shareholders and their respective close associates, our Company will comply with the applicable Listing Rules;

iv. the independent non-executive Directors will review, on an annual basis, whether there are any conflicts of interests between our Group and our Controlling Shareholders and provide impartial and professional advice to protect the interests of our minority Shareholders;

v. our Company will disclose in our annual report the decisions (if any) of the independent non-executive Directors on matters relating to the New Business Opportunity and the relevant basis;

vi. where our Directors reasonably request the advice of independent professionals, such as financial advisers, the appointment of such independent professionals will be made at our Company's expenses; and

vii. we have appointed Somerley Capital Limited as our compliance advisor to provide advice and guidance to us in respect of compliance with the applicable laws and regulations in Hong Kong, as well as the Listing Rules, including various requirements relating to corporate governance from the [**REDACTED**] to the date when our Company distribute our annual report of our financial results for the first full financial year commencing after the [**REDACTED**].