
CONNECTED TRANSACTIONS

Upon [REDACTED], the following transactions between us and our connected persons will constitute our continuing connected transactions under Chapter 14A of the Listing Rules.

OUR CONNECTED PERSONS

We have entered into certain transactions with WuXi Biologics and WuXi AppTec and their respective associates during the Track Record Period in our ordinary and usual course of business and such transactions are expected to continue after the [REDACTED]:

- **WuXi Biologics**

As of the Latest Practicable Date, WuXi Biologics directly held 60% equity interest of our Company. Following the [REDACTED] (assuming the [REDACTED] is not exercised and without taking into account any Shares which may be issued upon exercise of the options granted under the [REDACTED] Share Option Schemes), WuXi Biologics will hold [REDACTED] equity interest of our Company and continue to be our Controlling Shareholder. Accordingly, WuXi Biologics is a connected person of our Company upon [REDACTED]. WuXi Biologics is a company incorporated under the laws of the Cayman Islands listed on the Main Board of the Stock Exchange (stock code: 2269). The WXB Group is a leading global biologics CRDMO platform engaged in the provision of one-stop end-to-end biologics discovery, research, development and manufacturing services to its clients.

- **WuXi Biologics Co., Ltd.**

As of the Latest Practicable Date, WuXi Biologics Co., Ltd. was an indirect wholly-owned subsidiary of WuXi Biologics, and therefore WuXi Biologics Co., Ltd. will be a connected person of our Company upon [REDACTED]. Its principal business is development of, and the provision of consultation services in relation to, the biopharmaceutical technology.

- **WuXi AppTec**

As of the Latest Practicable Date, WuXi AppTec indirectly held 98.56% equity interest of STA, which wholly owns STA Pharmaceutical, being a 40% shareholder of our Company. Following the [REDACTED] (assuming the [REDACTED] is not exercised and without taking into account any Shares which may be issued upon exercise of the options granted under the [REDACTED] Share Option Schemes), STA Pharmaceutical will hold [REDACTED] equity interest of our Company. Accordingly, WuXi AppTec will be a connected person of our Company upon [REDACTED]. WuXi AppTec is a joint stock company incorporated in the PRC with limited liability and is listed on the Main Board of the Stock Exchange (stock code: 2359) and the Shanghai Stock Exchange (stock code: 603259.SH). The WXAT Group is a leading global pharmaceutical research and development services platform engaged in the business of discovery, development and manufacturing of innovative pharmaceuticals.

- **STA Changzhou**

As of the Latest Practicable Date, WuXi AppTec indirectly held 98.56% equity interest of STA Changzhou, and therefore STA Changzhou will be a connected person of our Company upon [REDACTED]. Its principal business is research and development, improvement and production services of small molecule drugs.

CONNECTED TRANSACTIONS

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

The transactions described in the summary table below will constitute non-exempt continuing connected transactions under Chapter 14A of the Listing Rules:

Continuing Connected Transactions with the Remaining WXB Group:

Nature of Transaction	Applicable Listing Rules	Waiver Sought	Historical Amount (RMB million)				Proposed Annual Cap (RMB million)		
			For the year ended December 31,			For the six months ended June 30,	For the year ended December 31,		
			2020	2021	2022	2023	2023	2024	2025
Antibodies Master Services Agreement	14A.34, 14A.35, 14A.36, 14A.46, 14A.49, 14A.71	Announcement and the independent Shareholders’ approval requirements	1.5	20.2	355.7	445.0	1,081.0	1,015.0	895.0
Raw Materials Procurement Services Agreement	14A.34, 14A.35, 14A.49, 14A.71	Announcement requirements	3.5	15.4	21.9	15.1	34.5	32.6	21.3
Project Management Services Agreement	14A.34, 14A.35, 14A.36, 14A.46, 14A.49, 14A.71	Announcement and the independent Shareholders’ approval requirements	0.4	6.2	17.7	10.8	31.2	50.0	55.0
Overseas Technical Support Services Agreement	14A.34, 14A.35, 14A.49, 14A.71	Announcement requirements	—	—	7.9	7.5	12.0	9.6	4.8
ADC Master Services Agreement	14A.34, 14A.35, 14A.36, 14A.46, 14A.49, 14A.71	Announcement and the independent Shareholders’ approval requirements	42.3	195.8	370.8	136.2	218.0	96.0	41.0
General Services Agreement	14A.34, 14A.35, 14A.49, 14A.71	Announcement requirements	3.8	10.2	18.0	8.6	15.0	11.0	9.0
WXB Property Lease	14A.34, 14A.35, 14A.49, 14A.71	Announcement requirements	—	5.5	2.8	1.7	5.0	5.0	5.0

CONNECTED TRANSACTIONS

Continuing Connected Transactions with WXAT Group:

Nature of Transaction	Applicable Listing Rules	Waiver Sought	Historical Amount (RMB million)			Proposed Annual Cap (RMB million)			
			For the year ended December 31,		For the six months ended June 30,	For the year ended December 31,			
			2020	2021	2022	2023	2024	2025	
Payload-Linkers Master Services Agreement	14A.34, 14A.35, 14A.36, 14A.46, 14A.49, 14A.71	Announcement and the independent Shareholders’ approval requirements	—	21.9	132.9	65.0	206.0	182.0	168.0
WXAT Property Lease	14A.34, 14A.35, 14A.49, 14A.71	Announcement requirements	—	1.4	4.9	2.2	8.0	4.0	—

1. Antibodies Master Services Agreement

Principal terms

We entered into the antibodies master service framework agreement (the “**Antibodies Master Services Agreement**”) with WuXi Biologics on [●], 2023, pursuant to which the Remaining WXB Group will provide certain development, manufacturing and quality testing services in relation to antibody intermediates (e.g., mAbs) for use in provision of our CRDMO services. The Antibodies Master Services Agreement is effective from the [REDACTED] until December 31, 2025 and is renewable for a term of three years upon mutual consents and subject to compliance with all applicable laws and regulations as well as the Listing Rules.

Reasons for the transactions

During the Track Record Period, our Group engaged the Remaining WXB Group in relation to development, manufacturing and quality testing of antibody intermediates for use in provision of our CRDMO services, which we believe is desirable and better serves the interests of our Group as the procurement of such services from the Remaining WXB Group would ensure a stable, uninterrupted and trusted source of supply of antibody intermediates. For details of the percentages of our integrated projects related to the Antibodies Master Services Agreement during the Track Record Period, please see the section headed “Relationship with our Controlling Shareholders – Suppliers and Procurement” in this document. We expect that the demand from clients/partners for our Group’s ADC CRDMO services will grow continuously going forward, and further new contracts for our CRDMO services will be entered into by our Group with our existing and new clients/partners. To enhance the manufacturing capacity of our Group and reduce our use of external suppliers, we have constructed a second ADC facility in Wuxi which commenced operation in September 2023, and we will continue to develop and expand our facilities, such as our new facility in Singapore, using the [REDACTED] from the [REDACTED]. For more details, please see the section headed “Business — Our Facility Expansion Plans” in this document.

CONNECTED TRANSACTIONS

We expect that our existing and new CRDMO projects will maximally utilize our Group’s current and expected capacity for antibody intermediates production in the near future. In such event, the unfulfilled demand for antibody intermediates manufacturing services will be satisfied by the Remaining WXB Group, or if the situation requires, by third party suppliers which, as confirmed by Frost & Sullivan, are readily available on normal commercial terms (including both quality and price). While we expect to substantially increase our antibody intermediates manufacturing capacity through our new ADC facility site in Wuxi which commenced operation in September 2023, we are also exploring other alternatives to meet any excess demand for antibody intermediates, such as entering into leasing arrangement with respect to existing facilities with certain independent third parties. With our new ADC facility site in Wuxi having commenced operation and the availability of other alternative arrangements to satisfy the demand for antibody intermediates, we currently anticipate that the percentage of the antibody intermediates to be sourced from the Remaining WXB Group out of the total antibody intermediates to be used in our CMC development projects will continue to decrease in the future. Based on the best estimates of our management according to their best knowledge and judgment of current events and actions, and taking into account various factors and assumptions, including (i) the future growth and market potential of the global ADC markets, including the CAGR of the global ADC markets of approximately 30% between 2022 and 2030, as advised by Frost & Sullivan; (ii) the expected growth in demand for ADC CRDMO services from our existing and new clients/partners; (iii) the historical transaction amounts incurred by our Group for the antibody intermediates related services provided by the Remaining WXB Group; and (iv) our current and expanded manufacturing capacity, we expect that the percentages of our integrated projects related to the Antibodies Master Services Agreements for the years ended December 2023, 2024 and 2025 will demonstrate a decreasing trend, representing approximately 95%, 70% and 50%, respectively. Further, given the established long-term relationship between our Group and the Remaining WXB Group, and in particular the fact that our Company will remain a subsidiary of WuXi Biologics upon [REDACTED], we also believe that the transactions under the Antibodies Master Services Agreement are unlikely to be materially adversely changed or terminated after the [REDACTED].

Pricing policy

The service fees charged by the Remaining WXB Group will be at rates no less favorable than those rates charged by the Remaining WXB Group to independent third parties for comparable transactions, and will be determined by the parties through arm’s length negotiation based on standard pricing schedule used by the Remaining WXB Group for all its customers. When determining the prices set out in the standard pricing schedule, a number of factors that are relevant to the services provided are being taken into account including, but not limited to, (i) the nature, scale, frequency and value of the relevant development, manufacturing and quality testing services; (ii) the complexity of tasks completed by the Remaining WXB Group at each stage under each work order; (iii) the resources spent on providing specific services; and (iv) the fees charged for historical transactions of similar nature and the then prevailing market rates. The pricing policy for the Antibodies Master Services Agreement will continue to be supervised and monitored by the management and the relevant personnel of our Group to ensure the transactions contemplated thereunder are conducted on normal commercial terms and will be in the interests of our Company and our Shareholders as a whole.

CONNECTED TRANSACTIONS

Historical transaction amounts

For each of the years ending December 31, 2020, 2021 and 2022 and for the six months ended June 30, 2023, the total amount incurred by our Group for the antibody intermediates related services provided by the Remaining WXB Group was RMB1.5 million, RMB20.2 million, RMB355.7 million and RMB445.0 million, respectively, representing approximately 1.7%, 10.2%, 48.8% and 58.2% of our total cost of services during the corresponding periods.

Annual cap

For each of the years ending December 31, 2023, 2024 and 2025, the total amount payable by our Group to the Remaining WXB Group for transactions contemplated under the Antibodies Master Services Agreement is not expected to exceed RMB1,081.0 million, RMB1,015.0 million and RMB895.0 million, respectively.

The increase in annual cap for the Antibodies Master Services Agreement for the year ended December 31, 2023 is based on the anticipated rapid and robust business growth in 2023. The surge in demand for ADC CRDMO services in the first half of 2023 is evidenced by a significant increase in our Company’s backlog. As of the Latest Practicable Date, the total estimated backlog for antibody intermediates manufacturing and other related services under the existing ADC CRDMO projects of our Group has increased to approximately RMB1,099 million. This is in line with the market landscape for ADC outsourcing services during the same period. As confirmed by Frost & Sullivan, there was an increasing market trend for ADC outsourcing services in the PRC in the second quarter compared with the first quarter of 2023, as the number of ADC products progressed to the clinical stage in the PRC increased by approximately 40% between the first and second quarters of 2023. On the above basis, our Directors are of the view that the proposed annual caps for the Antibodies Master Services Agreement are on normal commercial terms, fair and reasonable and in the interest of our Company and our Shareholders as a whole.

Basis of cap

The above proposed annual caps are determined based on the following factors: (i) our total backlog for antibody intermediates related services under the existing CRDMO projects as of the Latest Practicable Date; (ii) the anticipated growth in the demand for antibody intermediates related services in the future three years ending December 31, 2025; (iii) the expected increase in our manufacturing capacity in relation to antibody intermediates; and (iv) the amount of antibody intermediates that may be sourced by us and/or our clients/partners from independent third party suppliers. With our increasing manufacturing capacity and the availability of other alternative arrangements to satisfy the demand for antibody intermediates, we expect that our demand for antibody intermediates related services from external sources will continuously decrease after the [REDACTED].

CONNECTED TRANSACTIONS

2. Raw Materials Procurement Services Agreement

Principal terms

We entered into a raw materials procurement services framework agreement (the “**Raw Material Procurement Services Agreement**”) with WuXi Biologics on [●], 2023, pursuant to which our Group will procure certain ADC/conjugate-related raw materials (e.g., inner package material, ultrafiltration membrane package and joints and tubes) together with the ancillary logistics and warehousing services, material testing and quality control services from the Remaining WXB Group. The Raw Material Procurement Services Agreement is effective from [the [REDACTED]] to December 31, 2025, and is renewable for a term of three years upon mutual consents and subject to compliance with all applicable laws and regulations as well as the Listing Rules.

Reasons for the transactions

During the Track Record Period, procurement of raw materials was mainly conducted through members of the Remaining WXB Group on a centralized basis, which enabled the WXB Group (including our Company) to benefit from the substantial economies of scale that are associated with the magnitude of the global business. Furthermore, given that the Remaining WXB Group is familiar with our quality standards to raw materials, it will be able to satisfy our demand efficiently and reliably with minimal disruption to our Group’s operations. As such, compared with procuring such raw materials from third parties independently, we believe that continuing to procure raw materials from the Remaining WXB Group is beneficial to us and our Shareholders as a whole.

Pricing policy

Purchase prices of raw materials provided by the Remaining WXB Group under the Raw Material Procurement Services Agreement will be determined with reference to (i) the costs of the relevant raw materials; and (ii) a 6.5% premium for the relevant raw materials procurement services provided. Our Directors, after consulting with Frost & Sullivan, are of the view that the percentage of premium charged under the Raw Material Procurement Services Agreement is generally in line with the prevailing industry norm for transactions of similar nature.

Historical transaction amounts

For each of the years ending December 31, 2020, 2021 and 2022 and for the six months ended June 30, 2023, the total amount incurred by our Group for the raw materials and related services provided by the Remaining WXB Group under was RMB3.5 million, RMB15.4 million, RMB21.9 million and RMB15.1 million, respectively, representing approximately 4.0%, 7.8%, 3.0% and 2.0% of our total cost of services during the corresponding periods.

Annual cap

For each of the years ending December 31, 2023, 2024 and 2025, the total amount payable by our Group for the raw materials and related services to be procured under the Raw Materials Procurement Services Agreement is not expected to exceed RMB34.5 million, RMB32.6 million and RMB21.3 million, respectively.

CONNECTED TRANSACTIONS

Basis of cap

The above proposed annual caps are determined based on the expected revenue growth and business expansion of our Group. Nevertheless, as our Group’s business scales up, we will further benefit from economies of scale when procuring raw materials that are required in connection with our ADC CRDMO business on our own without involvement of the Remaining WXB Group. As a result, it is expected that the transaction amounts for the Raw Materials Procurement Services Agreement will gradually decrease for the period from 2023 to 2025, notwithstanding the anticipated increase in the scale of our ADC CRDMO business over that period.

3. Project Management Services Agreement

Principal terms

We entered into a project management services framework agreement (the “**Project Management Services Agreement**”) with WuXi Biologics on [●], 2023, pursuant to which the Remaining WXB Group will provide certain project management services in relation to the preliminary planning, design and construction of new facilities (e.g., at Wuxi and Singapore) to our Group. The Project Management Services Agreement is effective from [the [REDACTED]] to December 31, 2025, and is renewable for a term of three years upon mutual consents and subject to the requirements under the Listing Rules and other applicable laws and regulations.

Reasons for the transactions

During the Track Record Period, and in particular during the years ended December 31, 2021 and 2022, our Group has engaged the project management team of the Remaining WXB Group for certain project management services in relation to the design and construction of new facilities, principally our new ADC facility in Wuxi. Also, our Group intends to obtain project management services from the Remaining WXB Group in relation to the design and construction of our new facility in Singapore. Given that 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 ADC facilities in Wuxi and Singapore, we believe that it would be considerably less cost-effective for us to attempt to build up similar know-how in-house or to obtain such project management services from an unrelated third party.

Pricing policy

The service fees charged by the Remaining WXB Group will be determined based on (i) the costs and expenses of providing such services (e.g., labor costs, administrative costs and costs of materials); and (ii) a 7% premium for the relevant project management services provided. Our Directors, after consulting with Frost & Sullivan, are of the view that the percentage of premium charged under the Project Management Services Agreement is generally in line with the prevailing industry norm for transactions of similar nature.

CONNECTED TRANSACTIONS

Historical transaction amounts

For each of the years ending December 31, 2020, 2021 and 2022 and for the six months ended June 30, 2023, the total amount incurred by our Group for the project management services provided by the Remaining WXB Group was RMB0.4 million, RMB6.2 million, RMB17.7 million and RMB10.8 million, respectively, representing approximately 0.5%, 3.1%, 2.4% and 1.4% of our total cost of services during the corresponding periods.

Annual cap

For each of the years ending December 31, 2023, 2024 and 2025, the total amount payable by our Group for the project management services to be provided under the Project Management Services Agreement is not expected to exceed RMB31.2 million, RMB50.0 million and RMB55.0 million, respectively.

Basis of cap

The above proposed annual caps are determined based on the expected growth in our demand for the project management services from the Remaining WXB Group for our ongoing construction projects in Wuxi and Singapore.

4. Overseas Technical Support Services Agreement

Principal terms

We entered into an overseas technical support services framework agreement (the “**Overseas Technical Support Services Agreement**”) with WuXi Biologics on [●], 2023, pursuant to which the CMC (chemistry, manufacturing and controls) professionals of the Remaining WXB Group will provide CMC services in relation to the life cycle of ADC in overseas jurisdictions (e.g., the United States and Europe) to our Group. The CMC services provided by the Remaining WXB Group are mainly related to overseas business development services (i.e., securing new sales orders from potential clients/partners) and customer support services (i.e., advising existing clients/partners when their projects encounter any particular difficulties and providing them technical information on such projects). The Overseas Technical Support Services Agreement is effective from [the [REDACTED]] to December 31, 2025, and is renewable for a term of three years upon mutual consents and subject to the requirements under the Listing Rules and other applicable laws and regulations.

Reasons for the transactions

As we do not currently have any overseas corporate entity in United States or Europe to allow us to hire local employees to provide the CMC services in those jurisdictions, and the relevant members of the Remaining WXB Group have local offices and employees who are familiar with the business needs of our Company, the requirements of its customers and their practices, we believe it will be cost efficient to continue engaging the Remaining WXB Group for such services.

CONNECTED TRANSACTIONS

Pricing policy

The service fees charged by the Remaining WXB Group will be determined based on (i) the costs and expenses of such services (e.g., salaries of professionals employed and related expenses) provided by the Remaining WXB Group; and (ii) a 5% premium for the relevant overseas technical support services provided. Our Directors, after consulting with Frost & Sullivan, are of the view that the percentage of premium charged under the Overseas Technical Services Agreement is generally in line with the prevailing industry norm for transactions of similar nature.

Historical transaction amounts

For each of the years ending December 31, 2020, 2021 and 2022 and for the six months ended June 30, 2023, the total amount incurred by our Group for the overseas technical support services provided by the Remaining WXB Group was nil, nil, RMB7.9 million and RMB7.5 million, respectively, representing nil, nil, approximately 1.1% and 1.0% of our total cost of services during the corresponding periods.

Annual cap

For each of the years ending December 31, 2023, 2024 and 2025, the total amount payable by our Group for the overseas technical support services to be provided under the Overseas Technical Support Services Agreement is not expected to exceed RMB12.0 million, RMB9.6 million and RMB4.8 million, respectively.

Basis of cap

The above proposed annual caps are determined based on our plan to establish our own local offices and hire local employees in certain overseas jurisdictions (e.g., the United States and Europe). As we continue to expand, we have plans to establish new overseas subsidiaries so that we may directly hire local employees as the CMC officers in those overseas jurisdictions. As such, the proposed annual caps for the Overseas Technical Support Services Agreement show a decreasing trend for the period from 2023 to 2025.

5. ADC Master Services Agreement

Principal terms

We entered into an ADC master services framework agreement (the “**ADC Master Services Agreement**”) with WuXi Biologics on [●], 2023, pursuant to which we will provide certain discovery, research and development and manufacturing services in relation to ADCs to the Remaining WXB Group pursuant to certain ADC CRDMO contracts entered into by the Remaining WXB Group with clients/partners prior to January 2023. The ADC Master Services Agreement is effective from [the [REDACTED]] to December 31, 2025, and is renewable for a term of three years upon mutual consents and subject to the requirements under the Listing Rules and other applicable laws and regulations.

CONNECTED TRANSACTIONS

Reasons for the transactions

The above ADC related services arise from certain contracts for the provision of ADC CRDMO services that were entered into through members of the Remaining WXB Group with clients/partners prior to January 2023. Since development of an ADC from inception to manufacturing typically is a multi-year process, these contracts typically are multi-year contracts. In connection with each such contract, the relevant member of the Remaining WXB Group engaged one or more relevant members of our Group as a subcontractor to provide the agreed ADC CRDMO services to the client/partner. For the years ending December 31, 2020, 2021 and 2022 and for the six months ended June 30, 2023, the percentages of our integrated projects related to the ADC Master Services Agreement were approximately 63%, 63%, 40% and 22%, respectively. As of the Latest Practicable Date, a total of 34 clients/partners have entered into the legacy contracts which related to 37 integrated projects with members of the Remaining WXB Group for ADC CRDMO services, with a total backlog of approximately RMB275 million, of which legacy contracts entered into with 26 clients/partners relating to 30 integrated projects are expected to be fully performed by 2025, and we will continue to use our reasonable commercial efforts to novate the legacy contracts of the remaining 8 clients/partners relating to 7 integrated projects from the Remaining WXB Group to our Group, with the expected year of completion ranging from 1 year to 5 years. Set out below is a table showing the expected year of completion with respect to the relevant integrated projects of which the legacy contracts have been fully completed and the estimated backlog in respect of such legacy contracts:

<u>Expected year of completion</u>	<u>No. of integrated projects of which the legacy contracts have been fully completed⁽¹⁾</u>	<u>Estimated backlog in respect of the legacy contracts that have been fully completed (RMB in million)⁽²⁾⁽³⁾</u>
By 2023	22	174.5
By 2024	3	19.4
By 2025	5	10.6
Total	30	204.5

Notes:

- (1) Each integrated project involves multiple legacy contracts (including customer contracts and purchase orders) entered throughout the development of such integrated project.
- (2) The estimated backlog in respect of the legacy contracts only refers to that of the legacy contracts that have been fully completed by the relevant year but does not represent the total backlog of the relevant integrated projects concerned, nor take into account those contracts entered into with the clients/partners directly for such integrated projects.
- (3) The estimated backlog in respect of the legacy contracts was prepared based on (i) our Group’s existing and expanded manufacturing capacity upon completion of our new ADC facility site in Wuxi, which commenced operation in September 2023; (ii) the estimated timeline for completion of the legacy contracts with reference to the expected completion date specified in the relevant contracts (if any); and (iii) the estimated progress of the legacy contracts which may be susceptible to unforeseeable material changes or development in the future.
- (4) Based on the best estimates of our management according to their best knowledge and judgment of current events and actions, and taking into account the factors set out in note (3) above, the percentages of our integrated projects related to the ADC Master Services Agreement for the years ended December 2023, 2024 and 2025 are expected to demonstrate a decreasing trend, representing approximately 10%, 5% and 3%, respectively.

CONNECTED TRANSACTIONS

Based on the above, it is currently anticipated that all the transactions in relation to provision of ADC CRDMO services by our Group to the Remaining WXB Group will terminate by the end of 2025 when all such legacy contracts are either performed or novated, so that our Group will be able to maintain a direct contractual relationship with each of our clients/partners going forward. In the event that we are unable to novate any of the remaining legacy contracts from the Remaining WXB Group to our Group by 2025, we will duly comply with the applicable requirements under Chapter 14A of the Listing Rules (including but not limited to obtain independent shareholders’ approval) in relation to the provision of ADC CRDMO services by our Group to the Remaining WXB Group for those remaining legacy contracts.

Pricing policy

The service fees charged by our Group will be at rates no less favorable than the rates charged by our Group to independent third parties for comparable transactions, and will be determined by the parties through arm’s length negotiation based on standard pricing schedule used by us for all our customers. When determining the prices set out in the standard pricing schedule, a number of factors that are relevant to the services provided are being taken into account including, but not limited to, (i) the nature, scale, frequency and value of the relevant research and development and testing services; (ii) the complexity of tasks completed by our Group at each stage under each work order; (iii) the resources spent on providing specific services; and (iv) the fees charged for historical transactions of similar nature and the then prevailing market rates. The pricing policy for the ADC Master Services Agreement will continue to be supervised and monitored by the management and the relevant personnel of our Group to ensure the transactions contemplated thereunder are conducted on normal commercial terms and will be in the interests of our Company and our Shareholders as a whole.

Historical transaction amounts

For each of the years ending December 31, 2020, 2021 and 2022 and for the six months ended June 30, 2023, the total amount incurred by the Remaining WXB Group for the ADC CRDMO services provided by our Group was RMB42.3 million, RMB195.8 million, RMB370.8 million and RMB136.2 million, respectively, representing approximately 43.9%, 62.9%, 37.4% and 13.7% of our total revenue during the corresponding periods.

Annual cap

For each of the years ending December 31, 2023, 2024 and 2025, the total amount payable by the Remaining WXB Group for the ADC CRDMO services under the ADC Master Services Agreement is not expected to exceed RMB218.0 million, RMB96.0 million and RMB41.0 million, respectively.

Basis of cap

The above proposed annual caps are determined based on the following factors: (i) the total backlog revenue to be generated from the ADC related services upon completion of the relevant milestones under such legacy contracts; and (ii) the estimated percentage of the legacy contracts that can be novated from the Remaining WXB Group to our Group after entering into new agreements with the relevant clients/partners in the future three years ending December 31, 2025. Since January 1, 2023, we have entered into all new contracts for the provision of ADC CRDMO services directly with our clients/partners and we have not entered into new contracts through the Remaining WXB Group to provide such services on a subcontractor basis. Therefore, the above proposed annual caps show a decreasing trend for the period from 2023 to 2025, reflecting the scheduled performance and novation of such legacy contracts.

CONNECTED TRANSACTIONS

6. General Services Agreement

Principal terms

We entered into a general services framework agreement (the “**General Services Agreement**”) with WuXi Biologics on [●], 2023, pursuant to which the Remaining WXB Group will provide certain general services in relation to, among others, business development, public relations, human resources, information technology as well as other administrative and general supporting services, to our Company. The General Services Agreement is effective from [the [REDACTED]] until December 31, 2025 and is renewable for a term of three years upon mutual consents and subject to the requirements under the Listing Rules and other applicable laws and regulations.

Reasons for the transactions

The services provided under the General Services Agreement can help enhance utilization and economies of scale of the Remaining WXB Group’s operational support resources and, on the other hand, reduce the administrative costs of our Group in procuring similar services from a wide range of other providers. The General Services Agreement will allow our Group to better leverage on the mature infrastructure and coverage already built by the Remaining WXB Group and promote better cooperation between the Remaining WXB Group and our Group.

Pricing policy

The service fees charged by the Remaining WXB Group will be determined with reference to (i) the costs and expenses of such services (e.g. administrative and general supporting services); and (ii) a 5% premium for the relevant general services provided. Our Directors, after consulting with Frost & Sullivan, are of the view that the percentage of premium charged under the General Services Agreement is generally in line with the prevailing industry norm for transactions of similar nature.

Historical transaction amounts

For each of the years ending December 31, 2020, 2021 and 2022 and for the six months ended June 30, 2023, the total amount incurred by our Group for the general services provided by the Remaining WXB Group was RMB3.8 million, RMB10.2 million, RMB18.0 million and RMB8.6 million, respectively, representing approximately 4.3%, 5.2%, 2.5% and 1.1% of our total cost of services during the corresponding periods.

Annual cap

For each of the years ending December 31, 2023, 2024 and 2025, the total amount payable by our Group for the general services is not expected to exceed RMB15.0 million, RMB11.0 million and RMB9.0 million, respectively.

Basis of cap

The above proposed annual caps are determined based on: (i) the historical transaction amounts paid by our Group to the Remaining WXB Group for the relevant general services; and (ii) the estimated demand for the relevant general services by our Group. As we will continue to expand our own administrative and supporting functional departments, the proposed annual caps for the General Services Agreement show a decreasing trend for the period from 2023 to 2025.

CONNECTED TRANSACTIONS

7. WXB Property Lease

Principal terms

We entered into a property lease agreement (the “**WXB Property Lease**”) with WuXi Biologics Co., Ltd. on [●], 2023. Pursuant to the WXB Property Lease, our Group agreed to lease a premise located at Plant No. 2, 11 Xinhui Ring Road, Wuxi with a total gross area of approximately 2,690.5 sq.m. to WuXi Biologics Co., Ltd. as an assembly line for biologics-related consumables. The WXB Property Lease is effective from [the [REDACTED]] to December 31, 2025, and is renewable for a term of three years upon mutual consents and subject to the requirements under the Listing Rules and other applicable laws and regulations.

Reasons for the transactions

The leased premises under the WXB Property Lease have been used by WuXi Biologics Co., Ltd. as an assembly line for biologics-related consumables since 2021 and the rental amount is based on the market rent of similar properties in similar locations. As such, we believe that it is in our interest in terms of cost, time and stability to continue to lease the assembly line to WuXi Biologics Co., Ltd. instead of requesting it to relocate the assembly line to alternative properties immediately upon [REDACTED].

Pricing policy

While the total rentals charged by our Group under the WXB Property Lease will be determined with reference to the market price of properties of comparable size and use in the vicinity which are available to independent third parties as agreed by both parties after arm’s length negotiations.

Historical transaction amounts

For each of the years ending December 31, 2020, 2021 and 2022 and for the six months ended June 30, 2023, the total rental amount incurred by WuXi Biologics Co., Ltd. to our Group for the leased property was nil, RMB5.5 million, RMB2.8 million and RMB1.7 million, respectively, representing nil, approximately 1.8%, 0.3% and 0.2% of our total revenue during the corresponding periods.

Annual cap

For each of the years ending December 31, 2023, 2024 and 2025, the total rental amount payable by WuXi Biologics Co., Ltd. to our Group under the WXB Property Lease is not expected to exceed RMB5.0 million, RMB5.0 million and RMB5.0 million, respectively.

Basis of cap

The above proposed annual caps are determined based on the market rent of similar properties in similar locations and it is expected to remain steady, as no material adjustment is expected to be made to such rentals during the term of the WXB Property Lease. It is currently expected that WuXi Biologics Co., Ltd. will relocate such assembly line to new premises by the end of 2025.

CONNECTED TRANSACTIONS

8. Payload-Linkers Master Services Agreement

Principal terms

We entered into a payload-linkers master services framework agreement (the “**Payload-Linkers Master Services Agreement**”) with WuXi AppTec on [●], 2023, pursuant to which the WXAT Group will provide research and development and manufacturing services in relation to payload-linkers and supply the related intermediate products to our Group for use in our ADC CRDMO services. The Payload-Linkers Master Services Agreement is effective from [the [REDACTED]] to December 31, 2025, and is renewable for a term of three years upon mutual consents and subject to the requirements under the Listing Rules and other applicable laws and regulations.

Reasons for the transactions

During the Track Record Period, our Group engaged the WXAT Group to provide research and development and manufacturing services in relation to the production of payload-linkers and supply payload-linkers intermediate products for our ADC CRDMO services, which we believe is desirable and better serves the interests of our Group as the procurement of such services from the WXAT Group would ensure a stable, uninterrupted and trusted source of supply of payload-linkers. For details of the percentages of our integrated projects related to the Payload-linkers Master Services Agreement during the Track Record Period, please see the section headed “Relationship with our Controlling Shareholders – Suppliers and Procurement” in this document.

We expect that the demand from our clients/partners for our ADC CRDMO services is expected to grow continuously going forward, and further new contracts for our CRDMO services will be entered into by our Group with our existing and new clients/partners. In particular, we anticipate an even stronger business growth in the second half of 2023 given the already displayed significant growth in the first half of 2023 and the increasing market trend for ADC outsourcing services in the PRC in the second quarter as compared with the first half of 2023, as the number of ADC products progressed to the clinical stage in the PRC increased by approximately 40% between the first and second quarter of 2023, as confirmed by Frost & Sullivan. As of the Latest Practicable Date, we had a total backlog of approximately RMB95.0 million for payload-linkers manufacturing and other services in the second half of 2023 based on the current timeline for our existing projects. By taking into account of the backlog for payload-linkers manufacturing and other services under the existing projects and the new projects that we may secure in the second half of 2023, we currently expect the transaction amount under the Payload-Linkers Master Services Agreement will be no more than RMB206 million for the year ended December 31, 2023.

To enhance the manufacturing capacity of our Group and reduce our use of external suppliers, we have constructed a second ADC facility in Wuxi City which commenced operation in September 2023, and we will continue to develop and expand our facilities, such as our new facility in Singapore, using the [REDACTED] from the [REDACTED]. For more details, please see the section headed “Business — Our Facility Expansion Plans” in this document.

We expect that our existing and new CRDMO projects will maximally utilize our Group’s current and expected capacity for payload-linkers production in the near future. In such event, the unfulfilled demand for payload-linkers manufacturing services will be satisfied by the WXAT Group, or if the situation requires, by third party suppliers which, as confirmed by Frost & Sullivan, are readily available on normal commercial terms (including both quality and price). While we expect to substantially increase our

CONNECTED TRANSACTIONS

payload-linkers manufacturing capacity upon the commencement of our new ADC facility site in Wuxi in September 2023, we are also exploring other alternatives to meet any excess demand for payload-linkers, such as entering into leasing arrangement with respect to existing facilities with certain independent third parties. With the completion of our new ADC facility site in Wuxi in September 2023, we currently anticipate that the percentage of the payload-linkers to be sourced from the WXAT Group out of the total payload-linkers to be used in our CMC development projects will continue to decrease in the future. Based on the best estimates of our management according to their best knowledge and judgment of current events and actions, and taking into account various factors and assumptions, including (i) the future growth and market potential of the global ADC markets, including the CAGR of the global ADC markets of approximately 30% between 2022 and 2030, as advised by Frost & Sullivan; (ii) the expected growth in demand for ADC CRDMO services from our existing and new clients/partners; (iii) the historical transaction amounts incurred by our Group for the antibody intermediates related services provided by the Remaining WXB Group; and (iv) our current and expanded manufacturing capacity, we expect that the percentages of our integrated projects related to the Payload-Linkers Master Services Agreement for the years ended December 2023, 2024 and 2025 will demonstrate a decreasing trend, representing approximately 85%, 55% and 30%, respectively.

Further, given the established long-term relationship between our Group and the WXAT Group, and in particular, the fact that WuXi AppTec will remain as our Controlling Shareholder upon the [REDACTED], we believe that the transactions under the Payload-Linkers Master Services Agreement are unlikely to be materially adversely changed or terminated after the [REDACTED].

Pricing policy

The service fees charged by the WXAT Group will be at rates no less favorable than the rates charged by the WXAT Group to independent third parties for comparable transactions, and will be determined by the parties through arm’s length negotiation based on standard pricing schedule used by the WXAT Group for all its customers. When determining the prices set out in the standard pricing schedule, a number of factors that are relevant to the services provided are being taken into account, including but not limited to (i) the nature, scale, frequency and value of the relevant research and development and manufacturing services; (ii) the complexity of tasks completed by the WXAT Group at each stage under each work order; (iii) the resources spent on providing specific services; and (iv) the fees charged for historical transactions of similar nature and the then prevailing market rates. The pricing policy for the Payload-Linkers Master Services Agreement will continue to be supervised and monitored by the management and the relevant personnel of our Group to ensure the transactions contemplated thereunder are conducted on normal commercial terms and will be in the interests of our Company and our Shareholders as a whole.

Historical transaction amounts

For each of the three years ending December 31, 2020, 2021 and 2022 and for the six months ended June 30, 2023, the total amount incurred by our Group for the payload-linkers related services provided by the WXAT Group was nil, RMB21.9 million, RMB132.9 million and RMB65.0 million, respectively, representing approximately 0%, 11.1%, 18.2% and 8.5% of our total cost of services during the corresponding periods.

CONNECTED TRANSACTIONS

Annual cap

For each of the three years ending December 31, 2023, 2024 and 2025, the total amount payable by our Group to the WXAT Group under the Payload-Linkers Master Services Agreement is not expected to exceed RMB206.0 million, RMB182.0 million and RMB168.0 million, respectively.

Basis of cap

The above proposed annual caps are determined based on the following factors: (i) the historical transaction amounts paid by our Group to the WXAT Group for the payload-linkers related services; (ii) the historical and anticipated growth of the global ADC market; (iii) the expected increase in our manufacturing capacity in relation to payload-linkers; and (iv) the amount of payload-linkers that may be sourced by us and/or our clients/partners from independent third party suppliers. With our increasing manufacturing capacity for payload-linkers, we expect that our demand for payload-linkers related services from external sources will continuously decrease after the [REDACTED].

9. WXAT Property Lease

Principal terms

We entered into a property lease (the “**WXAT Property Lease**”) with STA Changzhou on [●], 2023, pursuant to which our Company leases from STA Changzhou the premises with a total area of approximately 820 sq.m. located at No. 589 North Yulong Road, Xinbei District, Changzhou City, Jiangsu Province, the PRC, for laboratory and office use in relation to the payload-linkers development. STA Changzhou has also agreed to provide certain general supporting services (e.g., parking, security and cleaning services) in relation to the leased premises to our Company. The WXAT Property Lease is effective from [the [REDACTED]] until December 31, 2024.

Reasons for the transactions

Since 2021, we have leased the above premises for developing and manufacturing payload-linkers. To avoid unnecessary interruption of the administration and extra relocation cost of manufacturing facilities, we believe that the continuation of such lease is cost efficient and beneficial to our operations.

Pricing policy

While the total rentals charged by STA Changzhou under the WXAT Property Lease will be determined with reference to the market price of properties of comparable size and use in the vicinity which are available to independent third parties as agreed by both parties after arm’s length negotiations, the service fees charged by STA Changzhou to our Group for the general supporting services under the WXAT Property Lease will be determined with reference to the cost of the general supporting services provided and a 6% premium.

CONNECTED TRANSACTIONS

Historical transaction amounts

For each of the years ending December 31, 2020, 2021 and 2022 and for the six months ended June 30, 2023, the total rentals and service fees incurred by us to STA Changzhou for the leased premises were nil, RMB1.4 million, RMB4.9 million and RMB2.2 million, respectively, representing nil, approximately 0.7%, 0.7% and 0.3% of our total cost of services during the corresponding periods.

Annual cap

For each of the years ending December 31, 2023 and 2024, the total rentals and service fees payable by us to STA Changzhou under the WXAT Property Lease are not expected to exceed RMB8.0 million and RMB4.0 million, respectively.

Basis of cap

The above proposed annual caps for the rentals are determined based on the market rent of similar properties in similar locations and the service fees are determined based on the cost of the general supporting services provided by STA Changzhou to our Group with a 6% premium. It is currently expected that we will relocate such manufacturing line from the leased premises to our new ADC facility in Wuxi by the end of 2024.

D. WAIVERS GRANTED BY THE STOCK EXCHANGE

In respect of the transactions under the Raw Materials Procurement Services Agreement, the Overseas Technical Support Services Agreement, the General Services Agreement, the WXB Property Lease and the WXAT Property Lease, the highest applicable percentage ratio is more than 0.1% but less than 5%, the transactions contemplated thereunder are subject to the announcement and annual reporting requirements under Rule 14A.35, Rule 14A.49 and 14A.71 of the Listing Rules.

In respect of the transactions under the Antibodies Master Services Agreement, the Project Management Services Agreement, the ADC Master Services Agreement and the Payload-Linkers Master Services Agreement, the highest applicable percentage ratio is more than 5%, the transactions contemplated thereunder are subject to the announcement, circular, independent shareholders' approval and annual reporting requirements under Rule 14A.35, Rule 14A.36, Rule 14A.46, Rule 14A.49 and Rule 14A.71 of the Listing Rules.

We have applied for [,and the Stock Exchange has granted] a waiver to us from strict compliance with (i) the announcement requirement under the Listing Rules in respect of the transactions under the Raw Materials Procurement Services Agreement, the Overseas Technical Support Services Agreement, the General Services Agreement, the WXB Property Lease and the WXAT Property Lease provided that the total transaction amount of the transactions under the respective agreement for each of the years ending December 31, 2023, 2024 and 2025 will not exceed the relevant proposed annual cap set forth above; and (ii) the announcement, circular and independent shareholders' approval requirement under the Listing Rules in respect of the transactions under the Antibodies Master Services Agreement, the Project Management Services Agreement, the ADC Master Services Agreement and the Payload-Linkers Master Services Agreement provided that the total transaction amount of the transactions thereunder for each of the years ending December 31, 2023, 2024 and 2025 will not exceed the relevant proposed annual cap set forth above.

CONNECTED TRANSACTIONS

In addition, our Directors confirm that we will comply with the applicable requirements under Chapter 14A of the Listing Rules and will immediately inform the Stock Exchange if any of the proposed annual caps set out above are exceeded, or when there is a material change in the terms of the transactions.

If the Listing Rules impose more stringent requirements in respect of the non-exempt continuing connected transactions in the future, we will promptly adopt measures within a reasonable time to ensure compliance with such new requirements.

DIRECTORS' VIEWS

Our Directors (including our independent non-executive Directors) consider that the above non-exempt continuing connected transactions have been, and will be, entered into in our ordinary and usual course of business and on normal commercial terms, are fair and reasonable and in the interest of our Company and Shareholders as a whole. The proposed annual caps in respect of the non-exempt continuing connected transactions are also fair and reasonable and in the interest of our Company and our Shareholders as a whole.

[REDACTED] CONFIRMATION

The [REDACTED] have reviewed the relevant information and historical figures prepared and provided by us in relation to the non-exempt continuing connected transactions as set out above, and have also discussed these transactions with us and obtained various representations from us. Based on the aforementioned due diligence work, the [REDACTED] are of the view that (i) the non-exempt continuing connected transactions as set out above have been entered into in the ordinary and usual course of business of our Group, on normal commercial terms or better, and are fair and reasonable and in the interests of our Group and Shareholders as a whole; and (ii) the proposed annual caps for such transactions are fair and reasonable and in the interests of our Company and Shareholders as a whole.