Post Hearing Information Pack of

WuXi XDC Cayman Inc.
藥明合聯生物技術有限公司*

(the "**Company**")

(Incorporated in the Cayman Islands with limited liability)

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WuXi XDC Cayman Inc.
藥明合聯生物技術有限公司*

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[REDACTED]

Total number of [REDACTED] under the [REDACTED]	**:**	**[REDACTED] Shares (subject to the [REDACTED] Option)**
Number of [REDACTED]	**:**	**[REDACTED] Shares (subject to reallocation)**
Number of [REDACTED]	**:**	**[REDACTED] Shares (including [REDACTED] [REDACTED] under the [REDACTED]) (subject to reallocation and the [REDACTED])**
Maximum [REDACTED]	**:**	**HK$[REDACTED] per Share, plus brokerage of 1%, SFC transaction levy of 0.0027%, the Stock Exchange trading fee of 0.00565% and AFRC Transaction Levy of 0.00015% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	**:**	**US$0.00005 per Share**
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IMPORTANT

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SUMMARY

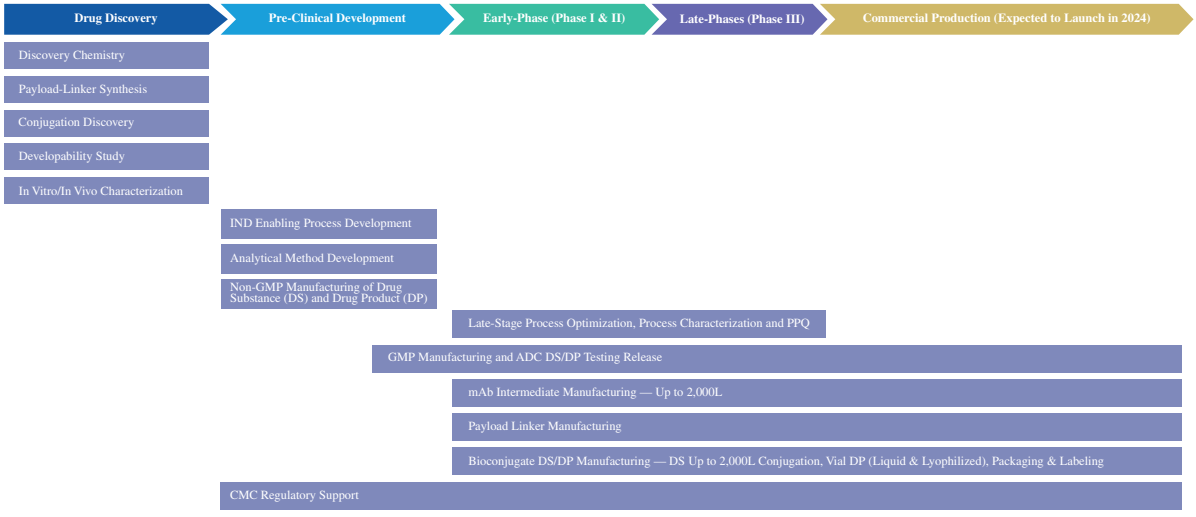
This summary aims to give you an overview of the information contained in this document and should be read in conjunction with the full text of this document. As it is a summary, it does not contain all the information that may be important to you. You should read the whole document, including our financial statements and the accompanying notes, before you decide to invest in the [**REDACTED**]. *There are risks associated with any* [**REDACTED**]. *Some of the particular risks in investing in the* [**REDACTED**] *are set out in "Risk Factors" in this document. You should read that section carefully before you decide to invest in the* [**REDACTED**].

OVERVIEW

We are a leading contract research, development and manufacturing organization ("**CRDMO**") focused on the global antibody-drug conjugate ("**ADC**") and broader bioconjugate market and dedicated to providing integrated and comprehensive services. Leveraging expertise in both biologics and small molecules, we offer interdisciplinary and comprehensive services, covering bioconjugate discovery, research, development and manufacturing. We provide these services from proximately located and dedicated laboratories and manufacturing facilities, leading to significant reduction of development timeline and costs. We are the second largest CRDMO for ADCs and other bioconjugates globally in terms of revenue in 2022, according to Frost & Sullivan. Our global market share by revenue increased from 1.8% in 2020 to 4.6% in 2021 and 9.8% in 2022.

Our Services

Our fully integrated, one-stop bioconjugate platform offers comprehensive CRDMO services, including discovery, process development and Good Manufacturing Practice ("**GMP**") manufacturing for bioconjugates, monoclonal antibody intermediates and payload-linkers associated with bioconjugates. Our discovery services involve discovery chemistry, conjugation discovery, *in vitro* and *in vivo* characterization and developability for preclinical candidate selection. We also enable preclinical and clinical studies through bioconjugate drug substance process development, bioconjugate formulation development, analytical method development and late-stage development and process validation. In addition, we have capability of GMP-compliant manufacturing of drug substance and drug product through our dedicated and specialized facilities. We also expect to launch the commercial GMP manufacturing of ADC products in the near future. The following diagram depicts our bioconjugate CRDMO services. See "Business — Our Services" for more details about our services.



Abbreviations: PPQ = process performance qualification; DS = drug substance; DP = drug product; mAb = monoclonal antibody.
Note: ADC/Bioconjugate CMC scope (process development, analytical method development, manufacturing) includes mAb intermediate for bioconjugates, payload-linker and bioconjugate DS and DP.

Our Capabilities

We are committed to continuously enhancing our platform, propelling and transforming the development of the bioconjugate industry, enabling global biopharmaceutical partners and benefiting patients worldwide. Our fully integrated, one-stop bioconjugate platform boasts a rich portfolio of conjugation technologies, extensive expertise in payload-linker synthesis and process development, industry-leading process development know-how, comprehensive analytical methods, as well as dedicated and specialized facilities. In particular, we seamlessly integrate the multidisciplinary expertise in both biologics and small molecules critical to comprehensive discovery, development and manufacturing of ADCs and other bioconjugates.

We have accumulated vast hands-on experience in bioconjugates, generating over 7,000 bioconjugate molecules for our customers incorporating over 500 protein carriers and over 600 payload-linkers. We have completed chemistry, manufacturing and control ("**CMC**") development and initiated GMP manufacturing using over 10 conjugation technologies for both ADC and other bioconjugates, making our portfolio of conjugation technologies one of the richest among bioconjugate outsourcing service providers, according to Frost & Sullivan. Our conjugation expertise goes beyond ADC and encompasses radionuclide drug conjugates ("**RDC**"), peptide-drug conjugate ("**PDC**"), antibody-chelator conjugate ("**ACC**"), PEGylated protein or peptide (i.e., protein or peptide conjugated with polyethylene glycol ("**PEG**")), antibody PROTAC conjugate (i.e., antibody conjugated with proteolysis targeting chimera ("**PROTAC**"), which is a type of targeted protein degradation agent), antibody-oligonucleotide conjugate ("**AOC**") and fatty-acid conjugate, among others. We have also built extensive expertise in payload-linkers, which are critical components of bioconjugates. We not only have developed a rich library of off-the-shelf payload-linkers, but also enable our customers to develop and manufacture a wide variety of tailor-made or proprietary payload-linkers by offering synthesis, process development and GMP manufacturing services. Through expanding collaborations with our partners, we also provide customers with access to a large variety of proprietary payload-linkers and conjugation technologies.

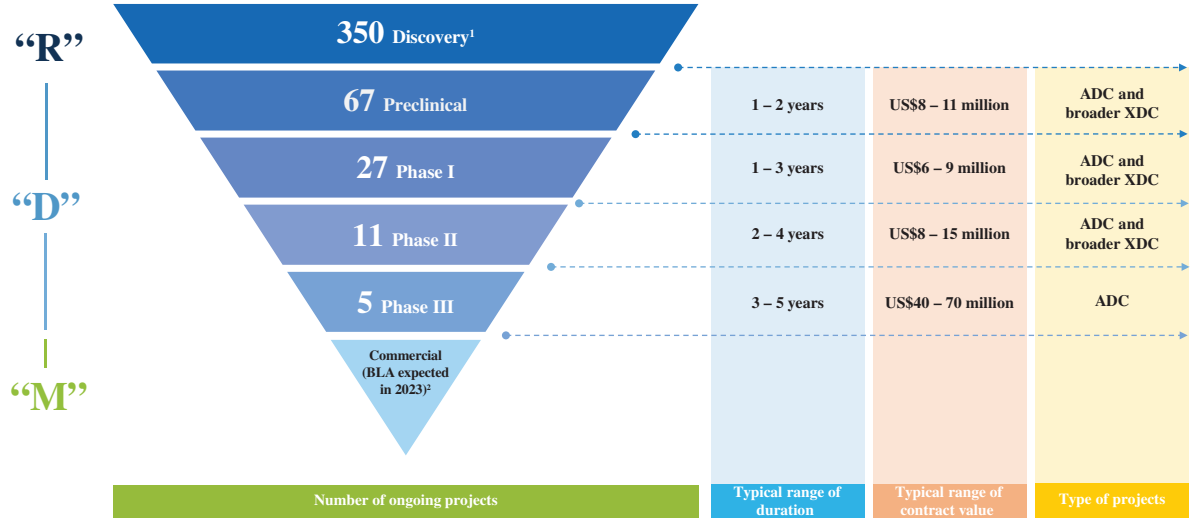
Moreover, we have developed industry-leading process development know-how for various types of bioconjugates. Our process development expertise ensures optimization of critical quality attributes, including drug load ratio (DAR), free drug removal, process efficiency and consistency. As a demonstration of our capabilities, we have initiated GMP manufacturing of bioconjugates involving several conjugation technologies, including our patented WuXiDAR4 technologies, non-natural amino acid ("**NNAA**") site-specific conjugation, tyrosine tubulin ligase-assisted conjugation, sortase-assisted conjugation, farnesyltransferase-assisted conjugation, and traceless affinity peptide labeling conjugation. WuXiDAR4 technologies enable customers to achieve tight control of product homogeneity and lot-to-lot consistency, which in turn improve the pharmacokinetics profile and stability of bioconjugate products and potentially result in better clinical outcomes.

Our integrated capabilities are also reflected in the one-stop GMP manufacturing of bioconjugates. We strategically offer our services from proximately located operation sites in Wuxi, Shanghai and Changzhou in China, where we have established dedicated and specialized facilities for bioconjugates. As such, we can better manage the supply chain and coordinate development and manufacturing operations, leading to expedited development timelines and improved quality and cost efficiencies for customers. For example, in general, we are able to process from the antibody DNA sequence to bioconjugate IND filing in approximately 13 to 15 months. Our fully integrated capabilities lay a solid foundation for our comprehensive service offerings that enable our customers to bring innovative bioconjugate therapeutic solutions to patients worldwide with high quality and speed. At the forefront of the global bioconjugate development, we believe our platform will also enable us to address the industry challenges and lead the global development trends of ADCs and other bioconjugates. As an industry recognition of our capabilities, we won the runner-up prize in the "Best Contract Manufacturing (CMO) Provider" category of the 2022 World ADC Awards and the "Best Contract Development Manufacturing Organization (CDMO)" prize at the 2023 World ADC Awards.

Our Achievements

We ranked No. 2 globally and No. 1 in China among CRDMO for ADCs and other bioconjugates in terms of revenue in 2022, according to Frost & Sullivan. Our global market share by revenue increased from 1.8% in 2020 to 4.6% in 2021 and 9.8% in 2022. By the end of 2022, we had 94 ongoing integrated projects, representing over 35% of the total number of outsourced integrated projects for bioconjugates globally in the same year, according to Frost & Sullivan. With our extensive technical capabilities and impeccable track record, we have become a trusted partner leading the bioconjugate development globally with a broad, loyal and fast-growing customer base. We employ an "enable, follow and win the molecule" strategy to not only grow with our existing customers by providing services from an early stage of their product development cycle, but also win new customers as their bioconjugates progress. As of the end of 2020, 2021, 2022 and June 30, 2023, as the result of our "enable" strategy, we had cumulatively progressed 9, 12, 24 and 30 ADC candidates, respectively, from discovery to CMC development. As the result of our "win the molecule" strategy, among the 110 ongoing integrated projects we had as of June 30, 2023, 36 were transferred to us from our customers or their outsourcing service providers. Our diverse and growing customer base includes both innovative biotechnology companies and global pharmaceutical companies, many of which are leading players in the ADC and bioconjugate space with potentially first-in-class or best-in-class pipeline programs. The number of our customers grew significantly from 49 in 2020 to 115 in 2021, 167 in 2022 and 169 in the six months ended June 30, 2023. As of June 30, 2023, we had served 304 customers cumulatively, including most of the major players in the global ADC and bioconjugate market. As of the same date, we had won ADC development contracts for all ADC candidates in China with dual filing of IND and/or BLA in China and the United States, and eight out of the 10 China-based companies that out-licensed their ADC pipelines overseas since 2022 are our customers.

We have a large number of integrated projects for ADCs and other bioconjugates. As of June 30, 2023, we had 110 ongoing integrated projects and helped customers to submit IND applications for 47 ADC candidates globally, and in 2022 alone, we helped customers submit IND applications for 18 ADC candidates globally. We have executed 350 discovery projects since our inception and as of June 30, 2023. The following funnel diagram sets forth the developmental stages and other details of ongoing integrated projects as of June 30, 2023. The duration and contract value of discovery projects can vary significantly due to their nature.



1. It is the cumulative number of discovery projects since our inception and as of June 30, 2023.
2. We have completed process validation, which is a critical step before the BLA submission, for two integrated projects.

The following table sets forth the details of ongoing projects by each development stage during the Track Record Period. As of December 31, 2020, 2021 and 2022 and June 30, 2023, nil, 3, 20 and 7 ongoing post-IND projects were advanced in the year/period from the pre-IND stage leveraging our CRDMO services.

		As of December 31, 2020			As of December 31, 2021			As of December 31, 2022			As of June 30, 2023		
Development Stage	Typical Duration	Number of Ongoing Projects[3]	Type of Projects	Number of New Projects[5]	Number of Ongoing Projects[3]	Type of Projects	Number of New Projects[5]	Number of Ongoing Projects[3]	Type of Projects	Number of New Projects[5]	Number of Ongoing Projects[3]	Type of Projects	Number of New Projects[5]
Discovery	N/A[1]	100[4]	ADC(78) and XDC(22)	52	176[4]	ADC(148) and XDC(28)	76	299[4]	ADC(244) and XDC(55)	123	350[4]	ADC(283) and XDC(67)	51
Preclinical	1-2 years	28	ADC(24) and XDC(4)	12	45	ADC(38) and XDC(7)	20	57	ADC(51) and XDC(6)	33	67	ADC(59) and XDC(8)	17
Clinical	Multiple years[2]	12	ADC(11) and XDC(1)	–	15	ADC(13) and XDC(2)	–	37	ADC(33) and XDC(4)	2	43	ADC(39) and XDC(4)	–

1. The duration of discovery projects can vary significantly in light of their ad hoc nature and depends on the types of projects at issue. Therefore, there is not a typical range for discovery projects.
2. The typical duration of projects in Phase I, II and III stages are 1-3 years, 2-4 years and 3-5 years, respectively.
3. "Number of ongoing projects" is the number of integrated projects excluding the number of integrated projects that are inactive or for which the customers notify us that they do not intend to further pursue. We deem an integrated project inactive if we have not been requested to provide services for three years.
4. It is the cumulative number of discovery projects since our inception and as of the indicated date. Because the duration and chance of success of discovery projects can vary significantly due to their early-stage nature, we present the cumulative number, instead of the ongoing project number, of discovery projects to demonstrate our experience in bioconjugate discovery.
5. For preclinical-stage integrated projects, "number of new projects" is the number of preclinical projects that we were able to "enable" (advance from the discovery-stage) or "win" (bring into our project pipeline) during the year/period ended on the indicated date. For discovery and clinical-stage projects, "number of new projects" is the number of projects that we were able to "win" (bring into our project pipeline) during the year/period ended on the indicated date. We do not count clinical projects that we "follow" (advance from preclinical stage to clinical stage) as new clinical projects, as we deem an integrated project, regardless of its developmental stage, as one project.

We attribute our success to our visionary team of seasoned senior management supported by a pool of talented scientists. We are led by Dr. Jincai Li, our chief executive officer, who is supported by members of our senior management team, all of whom have extensive experience and diverse expertise in the pharmaceutical industry both domestically and internationally. We also benefit from a strong shareholder support from the WXB Group and the WXAT Group. Our heritage brings us with strong trust from industry participants in our field-tested capabilities and world-class quality.

Our Market Opportunities

ADCs and other bioconjugate drugs constitute a separate modality distinct from small molecules or biologics. Taking ADCs as an example, they consist of a biologic component (the antibody), which is covalently attached, also referred to as conjugated, to a cytotoxic small molecule drug (the payload) via a chemical linker. ADCs are therefore designed to combine the target selectivity of antibodies and the cell-killing potency of highly cytotoxic small molecule drugs. This combinatorial design potentially reduces off-target toxicity of classic chemotherapy while enhancing the efficacy, thereby leading to an improved safety and efficacy. Recently, several ADCs have shown favorable efficacy for various cancers

and quickly gained market share. The global sales of ADC drugs reached approximately US$7.9 billion in 2022, representing an over 40% CAGR since 2018. With constant advancement in conjugation technologies and expanding bioconjugate component library, bioconjugates are being developed for therapeutic areas in addition to oncology, including autoimmune diseases, infectious diseases, metabolic disorders and beyond.

Riding on the recent trend of transformative advancements in drug design and conjugation technologies, the ADC and bioconjugate drug market is at a growth inflection point. According to Frost & Sullivan, the global ADC drug market size is anticipated to grow to US$64.7 billion in 2030 from US$7.9 billion in 2022 at a CAGR of 30.0%. The expected growth of the global ADC drug market is considerably faster than that of the global biologics drug market (excluding bioconjugates), which is expected to grow at a CAGR of 9.2% during the same period. As of June 30, 2023, 15 ADC drugs have been approved globally, of which 11 have been approved since 2018 and four have been approved since 2021. There has also been a promising pipeline of ADC drugs. As of June 30, 2023, 231 ADC drug candidates around the globe had been advanced to the clinical stage, with 134, 79 and 18 under phase I, II and III clinical trials, respectively, and globally 57 ADC drug candidates entered clinical trials in 2022, according to Frost & Sullivan. Nonetheless, the development of other bioconjugates beyond ADC is still at a preliminary stage, facing uncertainties to progress from traditional ADCs to broader bioconjugates and application expansion in terms of timing, market acceptance and likelihood of obtaining approval.

The potential of ADCs and other bioconjugate drugs is also evidenced by high-profile acquisition and licensing activities in the space. According to Frost & Sullivan, there have been over 100 deals involving ADCs since 2022, including the recently announced acquisition of Seagen Inc., a leading biotechnology company specializing in the development of ADCs for cancer treatment, by Pfizer Inc. for a total of approximately US$43 billion. China biotechnology companies have been at the forefront of ADC out-licensing arrangements, according to Frost & Sullivan. Since 2022 and as of June 30, 2023, there had been 10 China pharmaceutical and biotechnology companies that reached 14 ADC out-licensing deals with overseas partners, totaling US$22.0 billion, according to the same source. Of these 10 China companies, eight are our customers.

The development of ADCs and other bioconjugates requires a suite of interdisciplinary capabilities in both biologics and small molecules that are beyond the reach of most biopharmaceutical companies. Therefore, the outsourcing rate of bioconjugate development reached around 70%, which is much higher than the 34% outsourcing rate for other biologics. The global market for ADC outsourcing services reached US$1.5 billion in 2022, exhibiting a CAGR of 34.5% between 2018 and 2022, and is expected to expand significantly to reach US$11.0 billion by 2030, with a CAGR of 28.4% from 2022 to 2030. Furthermore, the logistic difficulties in transporting different bioconjugate components, the stringent requirements for safe manufacturing and handling of cytotoxics, as well as the increasing demand for shortened development timelines, present significant challenges for a vast majority of outsourcing service providers in the space. We believe these challenges are best addressed with a comprehensive CRDMO with integrated service capabilities and geographically proximate facilities like us.

Our Financial Performance and Path Forward

We experienced robust growth in our revenue during the Track Record Period. For the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023, our revenue was RMB96.4 million, RMB311.1 million, RMB990.4 million and RMB993.5 million, respectively. We recorded net profit of RMB26.3 million, RMB54.9 million, RMB155.7 million and RMB177.2 million for the same periods, respectively. Our adjusted net profit (non-IFRS measure) amounted to RMB32.8 million, RMB77.1 million, RMB194.4 million and RMB216.4 million in the same periods, respectively. See "Financial Information — Non-IFRS Measures." Our backlog was US$318.0 million as of December 31, 2022 and US$410.6 million as of June 30, 2023. As of the same date, we had 67 ongoing preclinical bioconjugate projects and 43 ongoing post-IND bioconjugate projects. As pre-IND projects advance into the post-IND stage and post-IND projects progress across clinical and commercial stage, the typical range of project contract values is also expected to increase, providing robust revenue growth momentum and visibility.

Going forward, we look to capitalize on the opportunities and solidify our leading position in the global ADC and broader bioconjugates outsourcing services market. We plan to continue expanding our capability beyond ADCs, strengthen our in-house discovery and development capabilities and manufacturing capacity, deepen our relationship with existing customers and attract new customers, as well as continue to invest in cutting-edge technologies. We strive to continuously enhance our fully integrated one-stop bioconjugate platform and become a partner of choice for global industry participants seeking to develop and manufacture bioconjugate therapeutics.

Our Business Model

We employ an "enable, follow and win the molecule" strategy to not only grow with our existing customers by providing services from an early stage of their product development cycle, but also win new customers as their bioconjugates progress. We have been able to achieve a high customer retention because of our service quality, industry-leading development timeline, world-class and innovative process development technology and proven GMP manufacturing capabilities. Since our inception in 2013 and up to June 30, 2023, nearly all our customers for bioconjugate discovery or integrated projects advancing their bioconjugate candidates along the development process have stayed with us. Winning customers at the CMC stage is another key driver of our future growth. Also due to the aforementioned factors, we expect to continuously win over customers and integrated bioconjugate projects going forward. Our global market share by revenue increased from 1.8% in 2020 to 4.6% in 2021 and 9.8% in 2022.

During the Track Record Period, we generated revenue from a mix of bioconjugate projects in various development stages, which can be broadly categorized into (i) revenue from pre-IND projects, primarily bioconjugate discovery projects at the drug discovery stage and preclinical development stage, and (ii) revenue from post-IND projects, primarily for clinical and commercial stage projects. The following table lays out a breakdown of our revenue by the development stages of projects for the periods indicated, both in actual terms and as a percentage of total revenue.

	For the year ended December 31,						For the six months ended June 30,			
	2020		2021		2022		2022		2023	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(in thousands, except for percentages)									
							(unaudited)			
Pre-IND Services	53,122	55.1	152,506	49.0	381,071	38.5	99,267	30.1	371,273	37.4
Post-IND Services	43,231	44.9	158,625	51.0	609,352	61.5	230,169	69.9	622,195	62.6
Total	96,353	100.0	311,131	100.0	990,423	100.0	329,436	100.0	993,468	100.0

Our Fee Models

Our service fee arrangement can be primarily divided into two types: (i) fee-for-service, or FFS, model and (ii) full-time-equivalent, or FTE, model.

Fee-for-service Model

During the Track Record Period, we generated fee income primarily on an FFS basis for the services provided. Under the FFS model, we determine the fee level based on the scope of the services, the estimated costs and expenses, the estimated amount of time to deliver our services, and the prices charged by our competitors for similar services, among others. Fees received from our service contracts and work orders under the FFS model contributed 100.0%, 100.0%, 98.4% and 98.7% of our revenue in the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023, respectively.

Full-time-equivalent Model

Under the FTE model, we designate employees to the customer's projects at a fixed rate per FTE employee per period of time. We determine the amount of service fees based on the number of employees and the amount of time required for completing the project, among others. Fees received from our service contracts under the FTE model contributed nil, nil, 1.6% and 1.3% of our revenue in the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023, respectively.

For details of the payment terms of our fee models, see "Business — Our Customers — Payment Terms." For details on our revenue recognition mechanism, see "Financial Information — Critical Accounting Policies, Judgments and Estimates — Revenue from Contracts with Customers."

Facilities

Our Current Facilities

We are headquartered in Wuxi, China. As of the Latest Practicable Date, we operated three sites in Wuxi, Shanghai and Changzhou. These sites are proximately located within a 200-kilometer radius, or approximately a two-hour drive, which ease logistic coordination and management, improve efficiency and thereby potentially reduce the overall costs. The following table sets forth a summary of certain key information about our facilities as of the Latest Practicable Date. For more property information about these sites, see "Business — Properties." During the Track Record Period, we did not have GMP-compliant manufacturing facilities to produce antibody intermediates and sufficient payload-linkers used in ADC and other bioconjugate drugs, and we relied on the Controlling Shareholders to carry out the relevant manufacturing activities. We believe that our new payload-linker production line and the dual-function production line for antibody intermediates for bioconjugates and drug substance in our Wuxi site will allow us to meet a large portion of our antibody intermediates and payload-linker requirements. For additional information, see "Business" and "Relationship with Our Controlling Shareholders."

Site	Site Area (sq.m.)	Owned/Leased	Primary Use	Capacity	Utilization Rate[(1)]
Wuxi	48,067	Owned	**Drug Substance/Drug Product** • GMP-compliant production • Formulation and analytical development • QC release and stability testing **Antibody Intermediates for Bioconjugates** • GMP-compliant production	**Conjugation drug substance and antibody intermediates production** • Conjugation drug substance production line ("XBCM1") with single-use reactor systems ranging from five liters to 500 liters to produce up to 500 liters of conjugation drug substance. • The dual-function production line for antibody intermediates for bioconjugates and drug substance ("XmAb/XBCM2") is designed with capacities ranging from 200 liters to 2,000 liters per batch for monoclonal antibody intermediates or up to 2,000 liters of bioconjugate drug substance per batch. **Conjugation drug product production** • The conjugation drug product ("XDP1") facility is designed to produce the liquid and lyophilization dosage forms with the annual capacity of up to three million vials in an isolated filling line equipped with one 5 sq.m. lyophilizer and one 20 sq.m. lyophilizer. • The conjugation drug product ("XDP2") facility is designed to produce the liquid and lyophilization dosage forms with the annual capacity of up to five million vials in an isolated filling line equipped with one 5 sq.m. lyophilizer and one 20 sq.m. lyophilizer.	**Conjugation drug substance production** • 51% (2020) • 73% (2021) • 85% (2022) **Conjugation drug product production** • 38% (2020) • 57% (2021) • 78% (2022)

Site	Site Area (sq.m.)	Owned/Leased	Primary Use	Capacity	Utilization Rate[1]
Shanghai Waigaoqiao . . .	8,927	Owned	**Bioconjugate discovery and process development** • Bioconjugate discovery, research and process development • Analytical and formulation development • Scale-up conjugation	**Discovery lab** • Laboratories for bioconjugate discovery and process development. **Bioconjugate process development lab** • Laboratory-scale sample preparation to pilot-scale manufacturing of ADCs and other bioconjugates.	N/A
Changzhou	819	Leased	**Payload-linker** • Discovery, research and process and analytical development • Pilot-scale synthesis • GMP-compliant production	**Payload-linker** • Laboratory with a field-tested containment design to safely handle highly potent compounds that are OEB5-rated materials. • Equipped with reaction kettles for GMP-compliant production with capacity of up to 150 liters, enabling kilogram-scale production of payload-linkers.	N/A

(1) The utilization rate for a particular year is calculated using the actual days in that year that our facilities are in operation to carry out manufacturing projects for customers (including the actual manufacturing and the necessary clean-up steps) divided by the theoretical maximum days in a year that the manufacturing facilities can be in operation assuming non-stop operations (being 350 days, taking into account total downtime of 15 days for necessary equipment maintenance).

We do not calculate the utilization rate for the Shanghai Waigaoqiao or Changzhou sites, as those sites are primarily laboratories, instead of manufacturing facilities, for bioconjugate discovery, process development and payload-linkers. The production lines XmAb/XBCM2 and XDP2 in our Wuxi site commenced operation in September 2023 and are therefore not taken into account in the calculation of utilization rate for 2020, 2021 and 2022.

Our Facility Expansion Plans

Wuxi Site

We seek to expand our manufacturing capabilities and capacity at the Wuxi site, so that our capabilities encompass the full-spectrum from antibody intermediates to drug products to achieve self-sufficient operations, and our capacity meets the needs of multiple late-stage bioconjugate development and manufacturing projects. In particular, we are building additional facilities in Wuxi for clinical or commercial manufacturing, including a kilogram-scale payload-linker production line ("**XPLM1**"), which will be equipped with reaction kettles for GMP-compliant production with capacity of 5 to 100 liters. We expect that the XPLM1 facility will commence GMP-compliant operations in the fourth quarter of 2023, and that both the XmAb/XBCM2 and the XDP2 facilities will commence GMP-compliant operations in the third quarter of 2023. Should the need arise, we will plan and build additional manufacturing facilities at our Wuxi site ahead of time.

Singapore Site

Outside of China, we are planning to establish a manufacturing base in Singapore to meet the growing demand from customers worldwide for comprehensive bioconjugate CRDMO services and implement a "global dual sourcing" strategy, which supports continuous and timely provision of services to our customers around the globe. We selected Singapore as the location of our new manufacturing facility because Singapore is a vibrant hub of the global biopharmaceutical industry that may bring us significant opportunities in brand promotion and customer acquisition.

Four production lines are planned to be established at the Singapore site for clinical and commercial manufacturing, including a dual-function production line for antibody intermediates for bioconjugates and drug substance ("**XmAb/XBCM3**"), a production line for drug substance ("**XBCM4**"), as well as two drug product manufacturing lines ("**XDP3**" and "**XDP4**"). The dual-function XmAb/XBCM3 facility is designed with capabilities ranging from 200 liters to 2,000 liters per batch for monoclonal antibody intermediates or up to 2,000 liters of bioconjugate drug substance per batch. The XBCM4 facility is designed with capabilities of up to 500 liters of bioconjugate drug substance per batch. The conjugation drug product facilities XDP3 and XDP4 are designed to produce the liquid and lyophilization dosage forms with the annual capacity of up to eight million vials and three million vials in isolated filling lines equipped with one 10 sq.m. lyophilizer and two 30 sq.m. lyophilizers, and one 5 sq.m. lyophilizer and one 10 sq.m. lyophilizer, respectively. Our facilities in China will supply the payload-linkers needed for Singapore site's operations. We do not expect the transport of such payload-linkers will significantly increase the operating costs of our facilities, as the transportation of payload-linkers is generally uncomplicated, and we plan to utilize bulk shipment to lower potential transportation and logistics expenses. We have started the design of the site and expect to commence GMP-compliant operations by 2026.

COMPETITIVE STRENGTHS

We believe the following strengths have contributed to our success and differentiate us from our competitors: (i) uniquely positioned to capture the growth in the global ADC and broader bioconjugate market; (ii) leading global CRDMO dedicated to ADCs and other bioconjugates with fully integrated, one-stop service capabilities; (iii) industry-leading technical capabilities and integrated capacity; (iv) CRDMO of choice with broad, loyal and fast-growing customer base; and (v) seasoned management team supported by a diversified and strong talent pool and shareholders.

GROWTH STRATEGIES

We plan to execute the following key strategies: (i) leverage our fully integrated platform to further solidify industry leading position as we continue to focus on integrated projects and comprehensive service capabilities; (ii) expand manufacturing capacities globally to meet growing demands; (iii) continue to focus on cutting-edge technologies through internal R&D and strategic partnerships; (iv) deepen relationship with existing customers and broaden customer base; and (v) pioneer through the industry development from ADC to XDC.

OUR CUSTOMERS

Our diverse and growing customer base includes both innovative biotechnology companies and global pharmaceutical companies, many of which are leading players in the ADC and bioconjugate space with potentially first-in-class or best-in-class pipeline programs.

During the Track Record Period, part of our bioconjugate CRDMO services were provided to customers that had formally contracted with the Remaining WXB Group. Because these contracts were entered into before the [**REDACTED**], the customers did not directly contract with a member of our Group. We view this practice as being in line with our historical development. After the formation of joint venture in May 2021 between WuXi Biologics and STA Pharmaceutical, we started to gradually educate customers about our distinct capacity and encourage customers to sign contracts directly with members of our Group. For additional information about the historical amount of the ADC Master Services Agreement in each period of the Track Record Period, see "Connected Transactions."

We have a broad, loyal and fast-growing customer base globally. We served a total of 49, 115, 167 and 169 ultimate customers (taking into account the customers of the legacy contracts who formally contracted with the Remaining WXB Group but made use of our bioconjugate CRDMO services) in each year of 2020, 2021, 2022 and the six months ended June 30, 2023, respectively. In the first six months of 2023, 37.0%, 35.9%, 23.1% and 4.0% of the total revenue was generated from ultimate customers from North America, China, Europe and the rest of the world, respectively, based on the location of the customers' headquarters. During the same periods, our five largest ultimate customers for each year/period contributed to 51.9%, 39.8%, 34.1% and 45.7%, respectively, of our total revenue, and our largest ultimate customer for each year/period accounted for 14.5%, 13.1%, 8.9% and 13.2%, respectively, of our total revenue. See "Risk Factors — Risks Relating to Our Business and Industry — The potential loss of major customers or any of our large contracts could materially and adversely affect our business, financial condition and results of operations" for more information.

None of our Directors, their respective associates, or Shareholders who, to the knowledge of our Directors, own 5% or more of our issued share capital had any interest in any of our five largest direct or ultimate customers, other than with respect to the Remaining WXB Group and the WXAT Group, during the Track Record Period. For additional information about our relationship with the Remaining WXB Group and the WXAT Group, see "Relationship with Our Controlling Shareholders" and "Connected Transactions."

OUR SUPPLIERS

The raw materials and equipment required for the provision of our services are generally readily available in the market through a number of suppliers. During the Track Record Period, procurement of raw materials for the WXB Group was conducted on a centralized basis, which had enabled us to benefit from the substantial economies of scale that are associated with the magnitude of the global business of the WXB Group. During the Track Record Period, we also sourced certain property, plant and equipment ("**PPE**") through the aforementioned centralized procurement system rather than directly from suppliers. For additional information on the arrangement, see "Connected Transactions."

We trace the raw materials and PPE from third-party suppliers to our Group by matching the unique material code in the WXB Group's transaction records, and we thereby attribute expenses to specific ultimate suppliers of our Group. We believe such treatment fairly depicts the relationship between our Group and our ultimate suppliers during the Track Record Period. In the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023, our five largest ultimate suppliers for each year/period together accounted for 52.6%, 52.7%, 71.8% and 78.7%, respectively, of our cost of services, and our largest ultimate supplier for each year/period accounted for 32.8%, 15.0%, 39.9% and 60.8%, respectively, of our cost of services.

None of our Directors, their respective associates, or Shareholders who, to the knowledge of our Directors, own 5% or more of our issued share capital had any interest in any of our five largest direct or ultimate suppliers, other than with respect to the Remaining WXB Group and the WXAT Group, during the Track Record Period. During the Track Record Period, none of our major independent direct suppliers was also our customer. For details of our connected transactions with the Remaining WXB Group and the WXAT Group, see "Connected Transactions."

SALES AND MARKETING

We market our services directly to pharmaceutical and biotechnology companies through regular sales meetings with their representatives and senior management. We also utilize multiple digital marketing and promotional channels, including advertisements, press releases, social media, webinars, podcasts and email updates, to promote our technologies, platforms and services. We also gain our business through referrals from our customers. In addition, we actively participate in trade conferences, trade shows and scientific conferences.

INTELLECTUAL PROPERTY

We develop and use a number of proprietary methodologies, technologies, trade secrets, know-how and other intellectual property during the conduct of our business. We rely on a combination of patent, trademark, intellectual property laws and contractual arrangements to protect our intellectual property. As of the Latest Practicable Date, the Remaining WXB Group has transferred material patents, patent applications, registered trademarks and pending trademark applications relating to our business to us. In particular, we have been assigned with three issued patents relating to the WuXiDAR4 technologies in the United States, Japan and Taiwan, 13 pending patent applications in China and overseas, as well as seven registered trademarks relating to the WuXiDAR4 technologies in China, the United States, the EU, the United Kingdom and Japan.

Protecting the proprietary rights of our customers has been a top priority since our inception. We have established an intellectual property protection process to properly manage the document transmission and archiving, preservation of documents related to R&D and manufacturing, supervision and control of laboratory computers and access to documents in connection with confidential information. Our customers generally retain ownership of all intellectual property associated with their projects, including the intellectual property that they provide to us and the intellectual property arising from the services we provide.

During the Track Record Period and up to the Latest Practicable Date, we were not subject to, nor were we party to, any intellectual property rights infringement claims or litigations and were not aware of any material infringement of our intellectual property rights that had a material adverse effect on our business. We had complied with all applicable intellectual property laws and regulations in all material respects during the Track Record Period and up to the Latest Practicable Date. See "Business — Intellectual Property" for more details.

COMPETITION

We face competition from other third-party outsourcing service providers for the discovery, development and manufacturing of ADCs and other bioconjugates. The global ADC outsourcing services market is relatively concentrated with the top five players accounting for an aggregate market share of 50.0% in terms of revenue in 2022, according to Frost & Sullivan. Our global market share by revenue increased from 1.8% in 2020 to 4.6% in 2021 and 9.8% in 2022, ranking second in the global ADC outsourcing services market in 2022. We are the only Chinese company among the top 5 players in terms of revenue in 2022. We ranked first in China, the most active ADC out-licensing market globally, with a market share of 69.5% in terms of revenue in 2022, according to the same source.

We face competition based on several factors, including quality and breadth of services, timeliness of delivery, price and geography, maintenance of GLP, GMP and cGMP standards and depth of customer relationships. In terms of entry barriers and key success factors, according to Frost & Sullivan, the global ADC outsourcing services market generally favors participants with integrated and comprehensive services capabilities, geographical proximity of facilities, proprietary technical capabilities and proven quality track record to accomplish the highly regulated process.

We believe that we are able to maintain our services' competitiveness by leveraging our established position in the global ADC and broader bioconjugate outsourcing services market and capitalizing on the opportunities offered by the booming ADC and broader bioconjugate market globally. It is worth noting that bioconjugates are extending beyond ADC by first conjugating various payloads other than chemical drugs with antibody, and then further to conjugate various carriers other than antibody with various payloads ("**XDC**"). The development of XDC beyond ADC, however, is still at a preliminary stage, facing uncertainties to progress from traditional ADCs to broader bioconjugates and application expansion in terms of timing, market acceptance and likelihood of obtaining approval. We therefore face uncertainty while our business gradually expanding beyond ADC into the XDC field. We are also of the view that a comprehensive and integrated service portfolio and effective quality assurance are critical to the continuing success of our business. In addition, our expanding capacity enables us to satisfy the increasing needs of bioconjugate outsourcing and grow with our customers to establish long-term relationships. For more details, see "Business — Competition" and "Industry Overview — Overview of Global ADC Outsourcing Services Market."

ENVIRONMENTAL, SOCIAL AND GOVERNANCE MATTERS

We view environmental, social and governance ("**ESG**") responsibilities as an integral component of our ethos and business strategy. During the Track Record Period and up to the Latest Practicable Date, we complied with the relevant environmental and occupational health and safety laws and regulations in all material aspects. We were not subject to any administrative penalties relating to environmental, health or safety compliance that would have a material adverse effect on our financial position or results of operations as a whole.

We have monitored our resource consumption and waste management since 2021 to assess and manage the environmental impact of our operations. To the extent possible, our facilities use next-generation technologies and clean energy, which we believe would improve resource conservation and reduce the level of waste produced by our operations. For the years ended December 31, 2021 and 2022, our greenhouse gas emissions were approximately 8,041 tons and 13,056 tons of CO_2 equivalent, respectively. We have built activated charcoal filters to ensure the waste gas is safe for emission. For wastewater generated during our operations, we perform coagulation and sterilization and then send the processed wastewater to a third party for further processing. We contract with qualified third parties to dispose solid hazardous waste in a safe and environmentally friendly manner.

Our Board will set ESG-related targets with a view of balancing business growth and environmental protection to achieve sustainable development. The targets will be reviewed on an annual basis to ensure that they remain appropriate to the needs of our Group. We aim to reduce our Scope 1 and Scope 2 greenhouse gas emissions intensity by 50% (tons/RMB10,000) by 2030 from a 2021 base year. For the near term, we aim to curb the increment of our resource consumption and waste generation in spite of the growing size of our business operations.

In view of the nature of our business, to the best knowledge of our directors, climate change will not have any major impact on our business operation. We will conduct an enterprise risk assessment at least once a year to cover the current and potential risks faced by our Group, including, but not limited to, the risks arising from the ESG aspects and strategic risk around disruptive forces such as climate change. Our Board will assess or, when needed, engage an external expert to evaluate the risks and review our Group's existing strategy, target and internal controls, and necessary improvements will be implemented to mitigate the risks. For additional information about environmental, social and governance matters, see "Business — Environmental, Social and Governance Matters."

RISKS AND CHALLENGES

Our business and the [**REDACTED**] involve certain risks, which are set out in the section headed "Risk Factors" in this document. Some of the major risk factors that we face include:

- reductions in our customers' spending or demand for our services, such as reduction in spending by domestic customers due to the lack of sufficient funding and overseas customers choosing not to engage Chinese companies for ADC CRDMO services, and uncertainties of future advancements of ADCs and other bioconjugates beyond ADC could have a material adverse effect on our business, particularly given that its development is still at a preliminary stage;

- competition may intensify as the industry grows and attracts new market entrants;

- the difficulty in developing our new technologies and improving existing technologies could materially and adversely affect our future business;

- the loss of services of our senior management and key scientific personnel could severely disrupt our business and growth; and

- we operate in a highly competitive industry and we cannot assure you that we will continue to compete successfully.

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following is a summary of our historical financial information as of and for the years ended December 31, 2020, 2021 and 2022, and as of and for the six months ended June 30, 2022 and 2023, extracted from the Accountants' Report set out in Appendix I to this document. The summary below should be read in conjunction with the consolidated financial information in Appendix I, including the accompanying notes and the information set forth in the section headed "Financial Information" in this document. Our consolidated financial information was prepared in accordance with IFRSs.

Summary of Results of Operations

The following table sets forth a summary of our results of operations for the periods indicated. Our historical results presented below are not necessarily indicative of the results that may be expected for any future period.

	Year ended December 31,						Six months ended June 30,			
	2020		2021		2022		2022		2023	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(RMB in thousands except for percentages)						(unaudited)			
Revenue	96,353	100.0	311,131	100.0	990,423	100.0	329,436	100.0	993,468	100.0
Cost of services	(88,272)	(91.6)	(197,637)	(63.5)	(729,340)	(73.6)	(225,481)	(68.4)	(764,068)	(76.9)
Gross profit	8,081	8.4	113,494	36.5	261,083	26.4	103,955	31.6	229,400	23.1
Selling and marketing expenses	(478)	(0.5)	(2,028)	(0.7)	(8,769)	(0.9)	(4,152)	(1.3)	(5,823)	(0.6)
Administrative expenses	(9,608)	(10.0)	(27,858)	(9.0)	(49,210)	(5.0)	(15,248)	(4.6)	(42,739)	(4.3)
[**REDACTED**] expenses	—	—	—	—	—	—	—	—	(7,374)	(0.7)
Research and development expenses	(4,075)	(4.2)	(13,815)	(4.4)	(33,842)	(3.4)	(11,059)	(3.4)	(29,749)	(3.0)
Finance costs	—	—	(493)	(0.2)	(2,916)	(0.3)	(1,573)	(0.5)	(569)	(0.1)
Other income	41,446	43.0	8,966	2.9	26,152	2.6	18,812	5.7	39,579	4.0
Other gains and losses	(2,711)	(2.8)	(855)	(0.3)	46,672	4.7	25,679	7.8	4,461	0.4
Impairment losses (recognized)/ reversed, under expected credit loss model, net of reversal	(289)	(0.3)	(10,558)	(3.4)	(43,369)	(4.4)	2,976	0.9	24,382	2.5
Profit before tax	32,366	33.6	66,853	21.5	195,801	19.8	119,390	36.2	211,568	21.3
Income tax expense	(6,067)	(6.3)	(11,923)	(3.8)	(40,070)	(4.0)	(21,123)	(6.4)	(34,354)	(3.5)
Profit for the period	26,299	27.3	54,930	17.7	155,731	15.7	98,267	29.8	177,214	17.8
Other comprehensive income/(expense)										
Items that may be reclassified subsequently to profit or loss:										
Fair value gain/(loss) on hedging instruments designated in cash flow hedges, net of income tax	1,668	1.7	499	0.2	(3,313)	(0.3)	(4,025)	(1.2)	1,146	0.1
Exchange gain arising on translation of foreign operations	—	—	—	—	—	—	—	—	4,635	0.5
Other comprehensive income/(expense) for the period	1,668	1.7	499	0.2	(3,313)	(0.3)	(4,025)	(1.2)	5,781	0.6
Total comprehensive income for the period	27,967	29.0	55,429	17.8	152,418	15.4	94,242	28.6	182,995	18.4

Non-IFRS Measures

Our consolidated financial information was prepared in accordance with IFRSs. To supplement our consolidated results which are prepared and presented in accordance with IFRSs, we use adjusted net profit (non-IFRS measure), EBITDA (non-IFRS measure), and adjusted EBITDA (non-IFRS measure) as additional financial measures, which are not required by, or presented in accordance with, IFRSs. We believe that these measures facilitate comparisons of operating performance from period to period and company to company by eliminating the potential impact of items, such as certain non-cash items. The use of these non-IFRS measures has limitations as an analytical tool, and you should not consider them in isolation from, as a substitute for, analysis of, or superior to, our results of operations or financial condition as reported under IFRSs. In addition, these non-IFRS financial measures may be defined differently from similar terms used by other companies, and may not be comparable to other similarly titled measure used by other companies.

We define adjusted net profit (non-IFRS measure) as net profit for the period, adjusted by adding non-cash items. [**REDACTED**] expenses are the expenses relating to the [**REDACTED**]. Share-based compensation is non-cash expenses arising from granting restricted share award and options to senior management and employees. The following table sets forth a reconciliation of our adjusted net profit (non-IFRS measure) for 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023 to the nearest measure prepared in accordance with IFRSs.

	Year ended December 31,			Six months ended June 30,	
	2020	**2021**	**2022**	**2022**	**2023**
	(RMB in thousands)				
				(unaudited)	
Profit for the period	26,299	54,930	155,731	98,267	177,214
Add:					
[**REDACTED**] expenses	—	—	—	—	7,374
Share-based compensation	6,476	22,157	38,626	10,595	31,780
Adjusted net profit (non-IFRS measure)	32,775	77,087	194,357	108,862	216,368

We define adjusted EBITDA (non-IFRS measure) as EBITDA (non-IFRS measure), adjusted by adding back [**REDACTED**] expenses and share-based compensation. The following table sets forth a reconciliation of our EBITDA (non-IFRS measure) and adjusted EBITDA (non-IFRS measure) for 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023 to the nearest measures prepared in accordance with IFRSs.

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	(RMB in thousands)				
				(unaudited)	
Profit for the period	26,299	54,930	155,731	98,267	177,214
Add:					
Income tax expense	6,067	11,923	40,070	21,123	34,354
Depreciation and amortization	13,465	18,981	30,812	13,872	22,750
Finance costs	—	493	2,916	1,573	569
Subtract:					
Interest income from banks	(31)	(28)	(4,612)	(562)	(3,424)
EBITDA (non-IFRS measure)	45,800	86,299	224,917	134,273	231,463
Add:					
[**REDACTED**] expenses	—	—	—	—	7,374
Share-based compensation	6,476	22,157	38,626	10,595	31,780
Adjusted EBITDA (non-IFRS measure)	52,276	108,456	263,543	144,868	270,617

Our net profit increased from RMB26.3 million in 2020 to RMB155.7 million in 2022 and increased from RMB98.3 million in the six months ended June 30, 2022 to RMB177.2 million in the six months ended June 30, 2023, generally in line with our revenue and business growth. Our net profit margin decreased from 27.3% in 2020 to 17.7% in 2021, primarily due to the decrease in research and other grants related to income awarded to us in 2021. Our net profit margin slightly decreased to 15.7% in 2022, primarily due to the outsourcing of antibody intermediate manufacturing. Our net profit margin decreased from 29.8% in the six months ended June 30, 2022 to 17.8% in the six months ended June 30, 2023, primarily due to the increase in our indirect production cost and overheads incurred for the outsourcing of antibody intermediate manufacturing.

Summary of Consolidated Statements of Financial Position

The following table sets forth a summary of our consolidated statements of financial position as of the dates indicated.

	As of December 31,			As of
	2020	2021	2022	June 30, 2023
	(RMB in thousands)			
Total non-current assets	308,550	629,450	1,094,048	1,285,859
Total current assets	99,918	250,303	1,402,331	1,454,091
Total assets	408,468	879,753	2,496,379	2,739,950
Total current liabilities	32,231	858,490	1,013,973	1,038,852
Net current assets/(liabilities)	67,687	(608,187)	388,358	415,239
Total assets less current liabilities	376,237	21,263	1,482,406	1,701,098
Total non-current liabilities	556	382	1,627	2,477
Total liabilities	32,787	858,872	1,015,600	1,041,329
Net assets	375,681	20,881	1,480,779	1,698,621

During the Track Record Period, our net current assets position as of each of December 31, 2020 and 2022 and June 30, 2023 was primarily attributable to our trade and other receivables and bank balances and cash, partially offset by trade and other payables and contract liabilities. We had net current liabilities of RMB608.2 million as of December 31, 2021, primarily due to the consideration payable to a related party for transfer of XDC Wuxi and consideration payable for acquisition of Payload & Linker Business. We had net current assets of RMB67.7 million as of December 31, 2020 compared to net current liabilities of RMB608.2 million as of December 31, 2021, primarily due to the consideration payable as part of transfer of XDC Wuxi and the consideration for acquisition of Payload & Linker Business. We recorded net current assets of RMB388.4 million as of December 31, 2022, primarily due to an increase of RMB400.0 million in financial assets at FVTPL, an increase of RMB333.7 million in trade receivables from third parties, and an increase of RMB308.6 million in bank balances and cash, as a result of our business growth and capital injection from our Shareholders. Our net current assets then increased to RMB415.2 million as of June 30, 2023, primarily due to an increase of RMB251.6 million in trade and other receivables, an increase of RMB226.7 million in bank balances and cash, and a decrease of RMB71.1 million in loans from related parties.

We recorded net assets of RMB375.7 million, RMB20.9 million, RMB1,480.8 million and RMB1,698.6 million as of December 31, 2020, 2021 and 2022 and June 30, 2023, respectively. Our net assets decreased from RMB375.7 million as of December 31, 2020 to RMB20.9 million as of December 31, 2021, primarily due to a decrease of RMB404.4 million in merger reserve as a result of deemed distribution to our equity holders in connection with our acquisition of XDC Wuxi. Our net assets then increased substantially to RMB1,480.8 million as of December 31, 2022, primarily due to an increase of RMB1,285.1 million in share premium, as a result of issue of shares to WuXi Biologics and STA Pharmaceutical and an increase of RMB149.1 million in retained earnings. Our net assets then increased to RMB1,698.6 million as of June 30, 2023, primarily due to (i) an increase of RMB177.2 million in retained earnings and (ii) an increase of RMB30.1 million in equity-settled share-based compensation reserve in relation to recognization of equity-settled share-based compensation.

We had an accumulated loss of RMB9.0 million at the beginning of 2020, which was primarily attributable to the fixed cost incurred prior to 2020 as we ramped up our operations and production capacity. In particular, we incurred significant cost as we constructed our production facilities, such as our DP3 facility, and commenced GMP manufacturing since August 2019.

Summary of Consolidated Statements of Cash Flows

The following table sets forth a summary of our cash flows for the periods indicated.

	Year ended December 31,			Six months ended June 30,
	2020	2021	2022	2023
	(RMB in thousands)			
Operating cash flows before movements in working capital	51,677	123,626	300,940	240,103
Changes in working capital	(21,845)	(58,847)	(5,991)	(67,851)
Cash generated from operations	29,832	64,779	294,949	172,252
Income taxes paid	(8,978)	(5,643)	(43,133)	(12,621)
Net cash from operating activities	20,854	59,136	251,816	159,631
Net cash (used in)/from investing activities	(52,424)	(51,587)	(1,279,543)	137,117
Interest paid	—	–	(325)	(149)
Net cash from/(used in) financing activities	69,116	22,343	1,328,213	(73,729)
Net increase/(decrease) in cash and cash equivalents	24,627	(2,065)	308,647	226,672
Cash and cash equivalents at beginning of the period	3,763	28,390	26,325	334,972
Cash and cash equivalents at end of the period	28,390	26,325	334,972	561,644

KEY FINANCIAL RATIOS

The following table sets forth certain of our key financial ratios for the periods indicated.

	As of/for the year ended December 31,			As of/for the six months ended June 30,	
	2020	2021	2022	2022	2023
				(unaudited)	
Profitability ratios					
Gross profit margin[(1)]	8.4%	36.5%	26.4%	31.6%	23.1%
Net profit margin[(2)]	27.3%	17.7%	15.7%	29.8%	17.8%
Adjusted net profit margin (non-IFRS measure)[(3)]	34.0%	24.8%	19.6%	33.0%	21.8%
EBITDA margin (non-IFRS measure)[(4)]	47.5%	27.7%	22.7%	40.8%	23.3%
Adjusted EBITDA margin (non-IFRS measure)[(5)]	54.3%	34.9%	26.6%	44.0%	27.2%
Return on total assets[(6)]	6.4%	6.2%	6.2%	N/A	NM[(8)]
Liquidity ratios					
Current ratio[(7)]	3.1	0.3	1.4	N/A	1.4

(1) Gross profit for the period divided by revenue for the respective period and multiplied by 100.0%.

(2) Profit for the period divided by revenue for the respective period and multiplied by 100.0%.

(3) Adjusted net profit (non-IFRS measure), defined as profit for the period adjusted by adding back [**REDACTED**] expenses and share-based compensation, divided by revenue for the respective period and multiplied by 100.0%.

(4) EBITDA (non-IFRS measure), defined as profit for the period adjusted by adding back depreciation and amortization, income tax expense and finance costs and subtracting interest income from banks, divided by revenue for the respective period and multiplied by 100.0%.

(5) Adjusted EBITDA (non-IFRS measure), defined as profit for the period adjusted by adding back [**REDACTED**] expenses and share-based compensation, depreciation and amortization, income tax expense and finance costs and subtracting interest income from banks, divided by revenue for the respective period and multiplied by 100.0%.

(6) Profit for the period divided by the closing balance of total assets of for the respective period and multiplied by 100.0%.

(7) Current assets divided by current liabilities as of period end.

(8) Not meaningful.

See "Financial Information — Key Financial Ratios" for details.

OUR CONTROLLING SHAREHOLDERS

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. See "Relationship with Our Controlling Shareholders" for more information.

CONNECTED TRANSACTIONS

We have entered into certain transactions with certain connected persons (as defined under Chapter 14A of the Listing Rules), and following the [**REDACTED**], the transactions contemplated thereunder will continue and constitute continuing connected transactions under Chapter 14A of the Listing Rules. We have applied to the Stock Exchange for, and the Stock Exchange [has granted] to us, a waiver from strict compliance with the announcement, circular, independent shareholders' approval and annual reporting requirements as applicable, as set out in Chapter 14A of the Listing Rules in respect of such continuing connected transactions. See "Connected Transactions" for details of the connected transactions.

[**REDACTED**] AND [**REDACTED**]

Our [**REDACTED**] constitutes a [**REDACTED**] of our Company from WuXi Biologics (stock code: 2269) under Practice Note 15 of the Listing Rules. The proposal in relation to the [**REDACTED**] has been submitted by WuXi Biologics to the Stock Exchange for approval pursuant to Practice Note 15 of the Listing Rules and the Stock Exchange has confirmed that WuXi Biologics may proceed with the [**REDACTED**]. WuXi Biologics considers that the [**REDACTED**] and separate [**REDACTED**] of our Group will be beneficial to WuXi Biologics, our Company and our Shareholders as a whole. For details, please see the section headed "History, Reorganization and Corporate Structure — [**REDACTED**] of our Group from WuXi Biologics".

As the highest applicable percentage ratio under the Listing Rules for the [**REDACTED**] will not exceed 5%, the [**REDACTED**] will not constitute a notifiable transaction for WuXi Biologics under Chapter 14 of the Listing Rules. The [**REDACTED**] is not subject to shareholder's approval of WuXi Biologics. WuXi Biologics and our Company will comply with the requirements under Practice Note 15 to the Listing Rules and the applicable requirements of the Listing Rules regarding the [**REDACTED**].

In order to enable the [**REDACTED**] to participate in the [**REDACTED**] on a preferential basis as to allocation only, subject to the Stock Exchange granting approval for the [**REDACTED**] of, and permission to [**REDACTED**], the Shares on the Main Board and such approval not having been withdrawn and the [**REDACTED**] becoming unconditional, the [**REDACTED**] are invited to apply for an aggregate of [**REDACTED**] in the [**REDACTED**] as an [**REDACTED**]. For details, please see the section headed "Structure of the [**REDACTED**] — The [**REDACTED**]" in this document.

[**REDACTED**] EXPENSES

We expect to incur a total of approximately RMB[**REDACTED**] (HK$[**REDACTED**]) of [**REDACTED**] expenses in connection with the [**REDACTED**], representing approximately [**REDACTED**]% of the [**REDACTED**] from the [**REDACTED**] (assuming an [**REDACTED**] of HK$[**REDACTED**], being the mid-point of the indicative [**REDACTED**] range between HK$[**REDACTED**] and HK$[**REDACTED**], and assuming that the [**REDACTED**] is not exercised), including (1) [**REDACTED**] fees and [**REDACTED**] commissions, SFC transaction levy, Stock Exchange trading fees and AFRC transaction levy for all [**REDACTED**] of approximately RMB[**REDACTED**] (HK$[**REDACTED**]), and (2) [**REDACTED**] expenses of approximately RMB[**REDACTED**] (HK$[**REDACTED**]), which consist of (i) fees and expenses of legal advisors and accountants of

approximately RMB[**REDACTED**] (HK$[**REDACTED**]), and (ii) other fees and expenses of approximately RMB[**REDACTED**] (HK$[**REDACTED**]). Approximately RMB[**REDACTED**] has been charged to our consolidated statements of profit or loss in the six months ended June 30, 2023, approximately RMB[**REDACTED**] is expected to be charged to our consolidated statements of profit and loss after the Track Record Period, and approximately RMB[**REDACTED**] is expected to be deducted from equity. The [**REDACTED**] expenses above are the best estimate as of the Latest Practicable Date and for reference only. The actual amount may differ from this estimate.

[**REDACTED**] STATISTICS

All statistics in the following table are based on the fact that (1) the [**REDACTED**] has been completed and [**REDACTED**] are issued pursuant to the [**REDACTED**]; and (2) the [**REDACTED**] is not exercised.

	Based on an [REDACTED] of HK$[REDACTED] per [REDACTED]	**Based on an [REDACTED] of HK$[REDACTED] per [REDACTED]**
Market Capitalization of our Shares[(1)]	HK$[REDACTED]	HK$[REDACTED]
Unaudited [**REDACTED**] adjusted net tangible asset per Share[(2)]	HK$[REDACTED]	HK$[REDACTED]

(1) The calculation of market capitalization is based on [**REDACTED**] Shares expected to be in issue immediately upon completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised).

(2) The unaudited [**REDACTED**] net tangible assets per Shares is arrived at after adjusting for the estimated [**REDACTED**] from the [**REDACTED**] and on the basis that [**REDACTED**] Shares were in issue assuming that the [**REDACTED**] has been completed on June 30, 2023 but takes no account of any Shares which may be allotted and issued pursuant to the exercise of the [**REDACTED**] or any Shares which may be issued or repurchased by the Company.

* No adjustment has been made to our unaudited [**REDACTED**] adjusted consolidated net tangible assets attributable to our owners as of June 30, 2023 to reflect any trading result or our other transaction entered into subsequent to June 30, 2023. In particular, our unaudited [**REDACTED**] adjusted consolidated net tangible assets attributable to our owners per Share as of June 30, 2023 have not been adjusted to illustrate the effect of the subsequent events as disclosed in Note 44 to Appendix I in this document as such subsequent events would not have material impact on the unaudited [**REDACTED**] financial information.

FUTURE PLANS AND [**REDACTED**]

We estimate that the [**REDACTED**] of the [**REDACTED**], after deducting the estimated [**REDACTED**] commissions and other fees and expenses payable by us in connection with the [**REDACTED**], will be approximately HK$[**REDACTED**], assuming an [**REDACTED**] of HK$[**REDACTED**] per Share (being the mid-point of the indicative range of the [**REDACTED**] of HK$[**REDACTED**] to HK$[**REDACTED**] per Share), without the exercise of the [**REDACTED**]. We currently intend to use the [**REDACTED**] from the [**REDACTED**] for the following purposes: (1) approximately [**REDACTED**]% of the [**REDACTED**], or HK$[**REDACTED**], will be used to further expand our manufacturing capacity by (i) constructing our manufacturing facilities in Singapore and (ii) expanding our production capacity in China with respect to antibody intermediates; (2) approximately [**REDACTED**]% of the [**REDACTED**], or HK$[**REDACTED**], will be used to selectively pursue strategic alliances, investment and acquisition opportunities to enrich our technology platform and service offerings; and (3) approximately [**REDACTED**]% of the [**REDACTED**], or HK$[**REDACTED**], for working capital and other general corporate purposes.

See "Future Plans and [**REDACTED**]" for further information relating to our future plans and [**REDACTED**] from the [**REDACTED**], including the adjustment on the allocation of the [**REDACTED**] in the event that the [**REDACTED**] is fixed at a higher or lower level compared to the midpoint of the estimated [**REDACTED**] range.

DIVIDENDS

During the Track Record Period, we did not pay or declare any dividend. According to our dividend policy adopted on [●], the Articles of Association and applicable laws and regulations, the determination to pay dividends will be made at the discretion of our Directors, subject to the Listing Rules, and will depend upon, among others, the financial results, cash flow, business conditions and strategies, future operations and earnings, capital requirements and expenditure plans, any restrictions on payment of dividends, and other factors that our Directors may consider relevant. We do not have a pre-determined dividend payout ratio. We will continue to re-evaluate our dividend policy in light of our financial condition and the prevailing economic environment.

As advised by our Cayman Islands legal advisors, we are a holding company incorporated under the laws of the Cayman Islands, pursuant to which, a company may declare and pay a dividend out of either profits or share premium account. The financial position of accumulated losses does not prohibit us from declaring and paying dividends to our Shareholders, as dividends may still be declared and paid out of our share premium account notwithstanding our profitability, provided that this would not result in our Company being unable to pay debts as they fall due in the ordinary course of business.

RECENT DEVELOPMENT

No Material Adverse Change

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, our Directors confirm that, as of the date of this document, there has been no material adverse change in our financial and trading positions or prospects since June 30, 2023, being the date on which our latest audited consolidated financial statements were prepared, and that there is no event since June 30, 2023 which would materially affect the information in the Accountants' Report set out in Appendix I to this document.

Regulations on [REDACTED]

On February 17, 2023, the China Securities Regulatory Commission ("**CSRC**") released the Trial Administrative Measures of Overseas Securities [**REDACTED**] and [**REDACTED**] by Domestic Companies (境內企業境外發行證券和上市管理試行辦法) and five supporting guidelines (together, the "**Trial Measures**"), which came into effect on March 31, 2023. Pursuant to the Trial Measures, domestic companies that seek to list overseas, both directly and indirectly, should fulfill the filing procedure and report relevant information to the CSRC. Specifically, following the principle of substance over form, if an issuer meets both of the following criteria, its [**REDACTED**] and [**REDACTED**] will be deemed as an indirect [**REDACTED**] and [**REDACTED**] by a domestic enterprise: (1) any of the total assets, net assets, revenue or profits of the domestic operating entities of the issuer in the most recent accounting year accounts for more than 50% of the corresponding figure in the issuer's audited consolidated financial statements for the same period; and (2) its major operational activities are carried out in China or its main places of business are located in China, or a majority of the senior management in charge of operation and management of the issuer are Chinese citizens or are domiciled in China. The filing is required to be conducted within three business days after the submission of the application for [**REDACTED**] and [**REDACTED**] overseas to the overseas regulators. Our PRC Legal Advisor is of the view that this [**REDACTED**] shall be deemed as an indirect [**REDACTED**] and [**REDACTED**] by PRC domestic enterprise, and we are required to submit filings with the CSRC within three business days after we submit application for this [**REDACTED**]. We submitted the required filing documents to the CSRC on July 12, 2023 and on October 19, 2023, the CSRC issued a notification on our completion of the PRC filing procedures for the [**REDACTED**] of our Shares on the Stock Exchange and the [**REDACTED**]. As advised by our PRC Legal Advisor, no other approvals from the CSRC are required to be obtained for the [**REDACTED**] of our Shares on the Stock Exchange.

Unless the context otherwise requires, the following expressions have the following meanings in this document. Certain other terms are explained in the section headed "Glossary" in this document.

[**REDACTED**]

"Accountants' Report"	the accountants' report from the Reporting Accountants, the text of which is set out in Appendix I to this document
"affiliate"	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"AFRC"	Accounting and Financial Reporting Council

[**REDACTED**]

"Articles of Association" or "Articles"	our second amended and restated articles of association, conditionally approved and adopted on [●] effective on the [**REDACTED**], and as amended from time to time, a summary of which is contained in Appendix III to this document

[**REDACTED**]

"Audit Committee"	the audit committee of the Board
"BCD business unit"	the bioconjugate drug business unit of our Group or the WXB Group prior to its transfer to our Group, as the context requires
"Beneficial WXB Shareholder(s)"	any beneficial owner(s) of shares of WuXi Biologics whose shares of WuXi Biologics are registered, as shown in the register of members of WuXi Biologics, in the name of a registered shareholder of WuXi Biologics on the [**REDACTED**]

"Biologics (Shanghai)"	WuXi Biologics (Shanghai) Co., Ltd.* (上海藥明生物技術有限公司), a limited liability company established in the PRC on January 6, 2015, a wholly-owned subsidiary of WuXi Biologics
"Biologics Holdings"	WuXi Biologics Holdings Limited, a business company incorporated with limited liability under the laws of the BVI on December 17, 2015, a substantial shareholder of WuXi Biologics

[**REDACTED**]

"Board" or "Board of Directors"	the board of directors of our Company
"business day"	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for business
"BVI"	the British Virgin Islands
"CAGR"	compound annual growth rate
"Cayman Companies Act"	the Companies Act, Cap 22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands as amended, supplemented, or otherwise modified from time to time

[**REDACTED**]

[**REDACTED**]

"China" or "the PRC"	the People's Republic of China excluding, for the purpose of this document, Hong Kong, Macau and Taiwan
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company," "our Company," "Group," "our Group," "we" or "us"	WuXi XDC Cayman Inc. (藥明合聯生物技術有限公司*), an exempted company incorporated under the laws of Cayman Islands with limited liability on December 14, 2020, and, except where the context indicated otherwise, all of its subsidiaries and companies whose financial results have been consolidated and accounted as the subsidiaries of our Company
"Controlling Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules and unless the context requires otherwise, refers to WuXi Biologics, WuXi AppTec, WuXi AppTec (Shanghai), STA and STA Pharmaceutical, or any one of them
"Director(s)"	the director(s) of our Company or any one of them
"ESG Committee"	the ESG committee of the Board
"EMA"	the European Medicines Agency
"FDA"	the U.S. Food and Drug Administration
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., the industry consultant of our Company

[**REDACTED**]

"HK$" or "Hong Kong dollars"	Hong Kong dollars, the lawful currency of Hong Kong

[**REDACTED**]

"Hong Kong"	the Hong Kong Special Administrative Region of the PRC

[**REDACTED**]

"IFRSs"	International Financial Reporting Standards
"independent third party(ies)"	a party, who/which, to the best of our Directors' knowledge, information and belief, having made all reasonable enquiries, which is not a connected person (as defined in the Listing Rules) of our Company

[**REDACTED**]

[**REDACTED**]

"Latest Practicable Date"	October 20, 2023, being the latest practicable date prior to the printing of this document for the purpose of ascertaining certain information contained in this document
	[**REDACTED**]
"Listing Committee"	the Listing Committee of the Stock Exchange
	[**REDACTED**]
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time

"Memorandum" or "Memorandum of Association	our second amended and restated memorandum of association, conditionally approved and adopted on [●] effective on the [**REDACTED**], as amended, supplemented or otherwise modified from time to time
"MOF"	the Ministry of Finance of the PRC (中華人民共和國財政部)
"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部)
"NMPA"	National Medical Product Administration (國家藥品監督管理局)
"Nomination Committee"	the nomination committee of the Board

[**REDACTED**]

"Ordinary Shares" or "Shares"	ordinary shares in the share capital of our Company with a par value of US$0.00005 each

[**REDACTED**]

"Payload & Linker Business"	the payload & linker business, which includes the customer resources, personnel and assets relating to such business, acquired by our Group from STA Pharmaceutical
"Payload-Linkers Master Services Agreement"	the payload-linkers master services framework agreement entered into between our Company and 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
"PRC Legal Advisor"	Fangda Partners, being the legal advisor to the PRC laws

[**REDACTED**]

"QIBs"	qualified institutional buyers within the meaning of Rule 144A

[**REDACTED**]

"Regulation S"	Regulation S under the U.S. Securities Act
"related parties"	has the meaning as set out in the paragraph headed "Related Party Transactions and Balances" under Note 37 to the Accountants' Report set out in Appendix I to this document
"Remaining WXB Group"	WuXi Biologics and its subsidiaries, excluding our Group
"Remuneration Committee"	the remuneration committee of the Board

[**REDACTED**]

"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"Rule 144A"	Rule 144A under the U.S. Securities Act
"SAT"	the State Administration of Taxation of the PRC (中國國家税務總局)
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
"Shareholder(s)"	holder(s) of Shares
"Specified Territories"	jurisdiction outside Hong Kong where, taking into account the legal restrictions under the applicable laws or requirements of the relevant regulatory body or stock exchange of such jurisdiction, WuXi Biologics and our Company consider the exclusion of the shareholders of WuXi Biologics with registered addresses in or who are otherwise known by WuXi Biologics to be residents of, such jurisdiction from the [**REDACTED**] to be necessary or expedient

[**REDACTED**]

"STA"	Shanghai SynTheAll Pharmaceutical Co., Ltd.* (上海合全藥業股份有限公司), a limited liability company established in the PRC on January 23, 2003, a non-wholly owned subsidiary of WuXi AppTec and one of our Controlling Shareholders
"STA Changzhou"	Changzhou SynTheAll Pharmaceutical Co., Ltd.* (常州合全藥業有限公司), a limited liability company established in the PRC on September 29, 2013, a non-wholly owned subsidiary of WuXi AppTec
"STA Pharmaceutical"	STA Pharmaceutical Hong Kong Investment Limited* (合全藥業香港投資有限公司), a limited liability company incorporated in Hong Kong on November 30, 2020, a non-wholly owned subsidiary of WuXi AppTec and one of our Controlling Shareholders

[**REDACTED**]

"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Strategy Committee"	the strategy committee of the Board
"Takeovers Code"	the Code on Takeovers and Mergers issued by the SFC, as amended, supplemented or otherwise modified from time to time
"Track Record Period"	the period consisting of the three years ended December 31, 2022 and the six months ended June 30, 2023

[**REDACTED**]

"U.S." or "United States"	the United States of America
"U.S. Securities Act"	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
"US$" or "U.S. dollar(s)"	United States dollar(s), the lawful currency of the United States
"VAT"	the PRC value-added tax

[**REDACTED**]

"WuXi AppTec"	WuXi AppTec Co., Ltd.* (無錫藥明康德新藥開發股份有限公司), a joint stock company with limited liability incorporated in the PRC on December 1, 2000, with its A shares being listed on the Shanghai Stock Exchange (SSE stock code: 603259) and its H shares being listed on the Main Board of the Stock Exchange (HKEx stock code: 2359), one of our Controlling Shareholders
"WuXi AppTec (Shanghai)"	WuXi AppTec (Shanghai) Co., Ltd. (上海藥明康德新藥開發有限公司), a limited liability company incorporated in the PRC on April 2, 2002, a wholly-owned subsidiary of WuXi AppTec and one of our Controlling Shareholders

* *For identification purpose only*

"WuXi Biologics"	WuXi Biologics (Cayman) Inc. (藥明生物技術有限公司)*, an exempted company incorporated with limited liability in the Cayman Islands on February 27, 2014, with its shares being listed on the Main Board of the Stock Exchange (HKEx stock code: 2269), one of our Controlling Shareholders
"WuXi Biologics Investment"	WuXi Biologics Investment Limited (藥明生物投資有限公司), a limited liability company incorporated in Hong Kong on November 18, 2020, a wholly-owned subsidiary of WuXi Biologics
"WXAT Group"	Wuxi AppTec together with its subsidiaries
"WXB Group"	WuXi Biologics together with its subsidiaries
"WXB Share(s)"	ordinary share(s) in the capital of WuXi Biologics with nominal value of US$1/120,000 each
"WXB Shareholder(s)"	holder(s) of WXB Share(s)
"XDC Changzhou"	WuXi XDC (Changzhou) Co., Ltd.* (常州藥明合聯生物技術有限公司), a limited liability company established in the PRC on July 2, 2021, a wholly-owned subsidiary of our Company
"XDC Hong Kong"	WuXi XDC Hong Kong Limited, a limited liability company incorporated in Hong Kong on June 7, 2021, a wholly-owned subsidiary of our Company
"XDC Shanghai"	WuXi XDC Shanghai Co., Ltd.* (上海藥明合聯生物技術有限公司), a limited liability company established in the PRC on March 31, 2021, a wholly-owned subsidiary of our Company
"XDC Singapore"	WuXi XDC Singapore Private Limited, a limited liability company incorporated in Singapore on November 16, 2022, a wholly-owned subsidiary of our Company
"XDC Wuxi"	WuXi XDC Co., Ltd.* (無錫藥明合聯生物技術有限公司), a limited liability company incorporated in the PRC on March 13, 2018, a wholly-owned subsidiary of our Company

In this document, the terms "associate," "close associate," "connected person," "core connected person," "connected transaction," "controlling shareholder," "subsidiaries" and "substantial shareholder" shall have the meanings given to such terms in the Hong Kong Listing Rules, unless the context otherwise requires.

Certain amounts and percentage figures included in this document have been subject to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them. Any discrepancies in any table or chart between the total shown and the sum of the amounts listed are due to rounding.

For ease of reference, the names of the PRC-incorporated companies or entities or PRC laws or regulations have been included in this document in both the Chinese and English languages; in the event of any inconsistency, the Chinese versions shall prevail.

GLOSSARY

This glossary contains certain technical terms used in this document in connection with us and our business. Such terms and their meaning may not correspond to standard industry definitions or usage.

"antibody" or "Ab"	large, Y-shaped protein produced mainly by plasma cells that is used by the immune system to identify and neutralize pathogens such as bacteria and viruses
"ACC"	antibody-chelator conjugate
"antibody drug conjugates" or "ADCs"	an emerging class of highly potent biopharmaceutical drugs designed as a targeted therapy combining the specific targeting capabilities of monoclonal antibodies with the cancer-killing ability of cytotoxic drugs for the treatment of cancer
"AOC"	antibody-oligonucleotide conjugate
"assay" or "bioassay"	an investigative analytical process in medicine, pharmacology or biology that aims to identify either the qualitative or quantitative presence or function of the analytical target, which can be a drug or biochemical substance or a cell in an organism or organic sample
"bioconjugate"	complex molecule engineered by covalently attaching two or more biological components in order to achieve improved targeting, efficacy and pharmacokinetics for therapeutic applications
"biohazardous"	of or relating to the health risk posed by the possible release of a pathogen into the environment
"biologics"	a subset of pharmaceuticals that are composed of a mixture of sugars, proteins, nucleic acids or complex compositions and may be made from biological sources
"bispecific antibody"	artificial protein that is composed of fragments of two different monoclonal antibodies and consequently binds to two different types of antigen
"Biologics License Application" or "BLA"	a request for permission to introduce, or deliver for introduction, a biologic product for commercialization in a specific jurisdiction
"chemistry, manufacturing and controls" or "CMC"	an important and detailed section in a dossier to support clinical studies conducted in human and marketing applications

"clinical trial"	a type of research carried out on human that studies new tests and treatments and evaluates their effects on human health outcomes
"conjugation"	the joining of two compounds
"contract research, development and manufacturing organization" or "CRDMO"	a company that mainly provides discovery, CMC and manufacturing services in the pharmaceutical and/or biotech industry
"contract testing, development and manufacturing organization" or "CTDMO"	a company that mainly provides testing, CMC and manufacturing services in the pharmaceutical and/or biotech industry
"Current Good Manufacturing Practice" or "cGMP"	regulations enforced by the FDA on pharmaceutical and biotech firms to ensure that the products produced meet specific requirements for identity, strength, quality and purity
"drug product formulation"	the process in which different chemical substances, including the active drug, are combined to produce a final medicinal product
"drug product" or "DP"	a dosage form that contains an active drug ingredient
"drug substance" or "DS"	an active ingredient that is intended to furnish pharmacological activity or other direct effect in the diagnosis, cure, mitigation, treatment, or prevention of disease or to affect the structure or any function of the human body, but does not include intermediates used in the synthesis of such ingredient
"drug-to-antibody ratio" or "DAR"	refers to the average number of drug molecules that are attached to each antibody molecule
"enzyme-linked immunosorbent assay" or "ELISA"	a commonly used laboratory test that measures the concentration of an antigen in a sample
"FDA"	the U.S. Food and Drug Administration
"fill and finish"	the last process in the production of pharmaceuticals that involves the filling of the bottle and any post-filling processes
"Good Laboratory Practices" or "GLP"	a quality system of management controls for research laboratories and organizations to try to ensure the uniformity, consistency, reliability, reproducibility, quality and integrity of chemical and pharmaceuticals non-clinical safety tests
"global ADC outsourcing services market"	the outsourcing services market for both ADC and broader bioconjugates

"HPLC"	High Performance Liquid Chromatography, a form of column chromatography that pumps a sample mixture in a solvent at high pressure through a column with chromatographic packing material
"in vitro"	Latin for "in glass"; studies in vitro are conducted using components of an organism that have been isolated from their usual biological surroundings, such as microorganisms, cells or biological molecules
"in vivo"	Latin for "within the living"; studies in vivo are those in which the effects of various biological entities are tested on whole, living organisms as opposed to a partial or dead organism, or those done in vitro ("within the glass"), i.e., in a laboratory environment using test tubes, petri dishes etc.
"IND"	Investigational New Drug, an application submitted to the FDA or the NMPA to seek permission or no objection to ship unapproved, experimental drug or biologic agents across jurisdictions (usually to clinical investigators) for use in clinical studies before a marketing application for the drug has been approved
"integrated projects"	post-discovery projects (i.e., in preclinical and subsequent stages) that involve clinical or commercial manufacturing
"linker"	a chemical group that covalently attaches the payload to the biomolecule in a bioconjugate, serving as a flexible tether between the two components
"lot release testing"	the process of evaluating each batch of a product before giving approval for its release onto the market
"McMMAE"	Maleimidocaproyl-monomethylauristatin E
"McMMAF"	Maleimidocaproyl-monomethylauristatin F
"MMAE"	Monomethyl auristatin E
"modality"	a type of treatment for a disease or medical condition
"molecule"	an electrically neutral group of two or more atoms held together by chemical bonds

"monoclonal antibody" or "mAb"	antibodies capable of binding to specific antigens and inducing immunological responses against the target antigens. Monoclonal antibodies when used as a cancer treatment have the ability to bind only to cancer cell-specific antigens and interrupt the growth of cancer cells to achieve efficient treatment with low dosages and less toxic side effects than traditional chemotherapy
"NMPA"	National Medical Products Administration (國家藥品監督管理局) and its predecessor, the China Food and Drug Administration (國家食品藥品監督管理總局) from 2013 to 2018 and the State Food and Drug Administration (國家食品藥品監督管理局) from 2003 to 2013
"occupational exposure band" or "OEB"	a process that is used to quickly and accurately assign chemicals into specific categories (bands), which correspond to a range of exposure concentrations designed to protect worker health. The OEB system typically ranges from OEB1 (least hazardous) to OEB5 (most hazardous)
"oncology"	the study and treatment of tumors
"outsourcing rate"	the outsourcing rate is calculated by dividing the size of the relevant outsourcing services market of a modality by the total outsourceable research, development and manufacturing expenses on that modality
"payload"	the component that elicits the desired therapeutic response, which is attached to the antibody by a linker and is released at the desired target
"payload-linker"	payload, linker and/or payload-linker, which combines both the payload and the linker, as the context requires. Conjugation, which typically refers to the combination of the antibody intermediate and payload-linker and is one of the most important steps in generating bioconjugates, is a separate step from combining the payload and linker molecules
"PCC"	preclinical candidate
"PDC"	peptide-drug conjugate
"PMDA"	the Pharmaceuticals and Medical Devices Agency of Japan
"process performance qualification" or "PPQ"	a part of the validation process which ensures that a certain process, system, or method used in production maintains the desired level of compliance at all stages

"PROTAC"	proteolysis targeting chimera, a molecule that induces selective intracellular proteolysis
"preclinical"	of or relating to a stage preceding clinical stage
"R&D"	research and development
"stability studies"	studies on the capability of a drug in a specific container/closure system to remain within its physical, chemical, microbiological therapeutic and toxicological specification
"synthesis"	the production of chemical compounds by reaction from simpler materials
"therapeutic window"	the dose range of a drug that provides safe and effective therapy

FORWARD-LOOKING STATEMENTS

We have included in this document forward-looking statements. Statements that are not historical facts, including statements about our intentions, beliefs, expectations or predictions for the future, are forward-looking statements.

This document contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties, including the risk factors described in this document. Forward-looking statements can be identified by words such as "may," "will," "should," "would," "could," "believe," "expect," "anticipate," "intend," "plan," "continue," "seek," "estimate" or the negative of these terms or other comparable terminology. Examples of forward-looking statements include, but are not limited to, statements we make regarding our projections, business strategy and development activities as well as other capital spending, financing sources, the effects of regulation, expectations concerning future operations, margins, profitability and competition. The foregoing is not an exclusive list of all forward-looking statements we make.

Forward-looking statements are based on our current expectations and assumptions regarding our business, the economy and other future conditions. We give no assurance that these expectations and assumptions will prove to have been correct. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. Our results may differ materially from those contemplated by the forward-looking statements. They are neither statements of historical fact nor guarantees or assurances of future performance. We caution you therefore against placing undue reliance on any of these forward-looking statements. Important factors that could cause actual results to differ materially from those in the forward-looking statements include regional, national or global political economic, business, competitive, market and regulatory conditions and the following:

- our business prospects;
- our business strategies and plans to achieve these strategies;
- future developments, trends and conditions in and competitive environment for the industries and markets in which we operate;
- general economic, political and business conditions in the markets where we operate;
- our financial condition and performance;
- our capital expenditure plans;
- changes to the regulatory environment, policies, operating conditions of and general outlook in the industries and markets in which we operate;
- our expectations with respect to our ability to acquire and maintain regulatory licenses or permits;
- the amount and nature of, and potential for, future development of our business;

- the actions of and developments affecting our competitors;

- certain statement in the sections headed "Risk Factors," "Industry Overview," "Regulatory Overview," "Business," "Financial Information," "Relationship with Our Controlling Shareholders" and "Future Plans and [**REDACTED**]" with respect to trends in interest rates, foreign exchange rates, prices, operations, margins, risk management and overall market trends.

Any forward-looking statement made by us in this document speaks only as of the date on which it is made. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. Subject to the requirements of applicable laws, rules and regulations, we undertake no obligation to update any forward-looking statement, whether as a result of new information, future developments or otherwise. All forward-looking statements contained in this document are qualified by reference to this cautionary statement.

Potential [**REDACTED**] *should read and consider carefully all the information set out in this document, and, in particular, should evaluate the following risks and uncertainties before deciding to make any* [**REDACTED**] *in our Shares. You should pay attention to the fact that we conduct substantial operations in China where the legal and regulatory environment is commensurate with its own economic and social conditions. Any of the risks and uncertainties listed below could have a material adverse effect on our business, results of operations, financial condition or on the trading price of our Shares, and could cause you to lose all or part of your* [**REDACTED**]. *The risks and uncertainties identified below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also affect our business and results of operations.*

Our business and operations involve certain risks and uncertainties, many of which are beyond our control. These risks can be broadly categorized into (1) risks relating to our business and industry, (2) risks relating to our relationship with the Remaining WXB Group and the WXAT Group, (3) risks relating to conducting business in China and other jurisdictions where we operate, and (4) risks relating to the [**REDACTED**].

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

We are dependent on our customers' spending on and demand for our services. A reduction in customer spending or demand and uncertainties of future advancements of ADCs and other bioconjugates beyond ADC could have a material adverse effect on our business, particularly given that its development is still at a preliminary stage.

The success of our business depends primarily on the number and size of service contracts with our customers, primarily pharmaceutical and biotechnology companies that develop and commercialize ADCs and other bioconjugates. Over the past several years, we have benefited from an increased demand for our services as a result of the continued growth of the global ADC and broader bioconjugate market, and a greater degree of development and manufacturing outsourcing by our customers. A slowing or reversal of any of these trends could have a material adverse effect on the demand for our services. Specifically, the global ADC and broader bioconjugate market is still at a nascent stage of development, and the pharmacological profile and efficacy of this novel treatment may be subject to further clinical validation. In particular, the development of other bioconjugates beyond ADC is still at a preliminary stage, facing uncertainties to progress from traditional ADCs to broader bioconjugates and application expansion in terms of timing, market acceptance and likelihood of obtaining approval. If ADCs and other bioconjugates are perceived to be less viable than other drug modalities, customer demands for our CRDMO services for ADCs and other bioconjugates may decline, which may materially and adversely affect our business, results of operations and financial condition.

In addition to the foregoing industry trends, our customers' willingness and ability to utilize our services are also subject to, among other things, their own financial performance, changes in their available resources, access to capital, their decisions to acquire in-house discovery, development or commercial manufacturing capacity, their spending priorities, their budgetary policies and practices, and their need to develop new products, which, in turn, are dependent upon a number of factors, including their competitors' research, development and product initiatives and the anticipated market uptake, and clinical and reimbursement scenarios for specific products and therapeutic areas. We may experience reduction in spending by domestic customers due to the lack of sufficient funding and overseas customers choosing not to engage Chinese companies for the provision of ADC CRDMO services leading to the narrowing of our customer base to domestic customers. In addition, consolidation in the industries in which our customers operate may also impact such spending as customers integrate acquired operations, including R&D departments and manufacturing operations. Any reduction in customer spending on CRDMO services for their ADC and other bioconjugate products as a result of these and other factors could have a material adverse effect on our business, results of operations and financial condition.

Competition may intensify as the industry grows and attracts more market entrants.

The global ADC and broader bioconjugate market is booming, benefiting the growth of the ADC outsourcing services industry as a whole. However, the fast evolving industry may attract an influx of new entrants, which could substantially increase competition within the industry. These new entrants may include established outsourcing service providers from other sectors as well as new start-ups, and each may bring substantial financial resources, advanced technologies or innovative business strategies. If these new market entrants offer lower prices, superior technology or more comprehensive service capabilities, we may be forced to adjust our own pricing strategies, upgrade our service capabilities, and consequently incur significant expenses and expenditure, which may not necessarily provide the return as anticipated. Moreover, outsourcing service providers with a business focus on payload-linkers and antibody intermediates may compete with us for customers' budget on outsourced discovery, development and manufacturing for ADCs and other bioconjugates. If we are unable to compete effectively against these new market entrants, our business, results of operations, financial condition and prospects may be adversely affected.

We may face customer attrition as a result of fierce market competition.

Given the project-based nature of our services, our customers are not obligated to stay with us for subsequent development stages. Customers who engage our services during the early stages of their projects, such as the discovery or preclinical stages, may not necessarily continue their association with us for subsequent stages of development. As they progress, customers may evaluate our performance and, based on comparative quality, pricing, or technological advantage, may decide to transition to other CRDMOs. As most of our ongoing projects are in early stages, which are subject to higher risks of experimental failure, such projects may not be able to progress to subsequent developmental stages and expose us to higher risks of customer attribution. As the competition within the ADC outsourcing services industry intensifies, we cannot assure you that we will maintain our competitive edge in every aspect of our service offerings. Our competitors may target our customers by offering more attractive service solutions in terms of pricing, technology or service scope, and we may be unable to beat their offers and consequently face customer attrition. If we are unable to maintain our competitive position and fail to retain our customers as they progress to subsequent development stages, our business, financial condition, and results of operations could be adversely affected. See also "— We may fail to retain our existing customers."

We may not be successful in developing new technologies and improving existing technologies to maintain our competitive position.

The global ADC and broader bioconjugate industry is characterized by rapid technological changes. The development of new ADCs and other bioconjugates relies on advancements of several technologies, such as linker and conjugation technology, mAb discovery and manufacturing, and the introduction of new payloads that are powerful against tumor cells with limited side effects. Demand for our services may change in ways that we may not be able to anticipate because of evolving industry standards or as a result of evolving customer needs that are increasingly sophisticated and varied or because of the introduction by competitors of new services and technologies. To maintain our technological advantages and expand our discovery and development capabilities, we have invested significant amounts of capital and resources into our R&D activities, through which we have mastered over 10 conjugation technologies and established our growing library of ready-made payload-linkers. In 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, our research and development expenses were RMB4.1 million, RMB13.8

million, RMB33.8 million, RMB11.1 million and RMB29.7 million, respectively. We must continue to invest significant amounts of human and capital resources to develop or acquire technologies that will allow us to enhance the scope and quality of our services. See "Business — Our Strategies — Continue to focus on cutting-edge technologies through internal R&D and strategic partnerships" for details. However, we cannot assure you that we will be able to develop, enhance or adapt to new technologies and methodologies. Any failure to do so may make our techniques and services obsolete, which could significantly reduce demand for our services and harm our business and prospects. Even if we are able to successfully develop new technologies or optimize existing technologies after we spend significant time and efforts on research and development, we cannot guarantee you that we will definitely be able to generate sufficient return on our investment.

In addition, to develop and market our new technologies successfully, we must accurately assess and meet customers' needs, make significant capital expenditures, optimize the process of discovery, testing, development and manufacturing of ADC drugs to predict and control costs, hire, train and retain the necessary personnel, and obtain required regulatory clearances or approvals. If we fail to create demand for or incorrectly predict customer demand for new technologies, our future business, results of operations, financial condition and prospects could be materially and adversely affected.

Our growth strategies and business expansion may not be successful.

We pursue certain strategies to further grow our business. For more information, see "Business — Our Strategies." Pursuing our growth strategies has resulted in, and will continue to result in, substantial demands on capital and other resources. In addition, managing our growth and executing on our growth strategies will require, among other things, our ability to continue to innovate and develop advanced technology in the highly competitive ADC and broader bioconjugate market globally, effective coordination and integration of our facilities and teams across different sites, successful hiring and training of personnel, effective cost control, sufficient liquidity, effective and efficient financial and management control, increased marketing and customer support activities, effective quality control, and management of our suppliers to leverage our purchasing power. Any failure to execute our growth strategies or realize our anticipated growth could adversely affect our business, financial condition, results of operations and prospects.

The success of our business expansion also depends on our customers' success in launching drug candidates through development, regulatory approval and commercial manufacturing. Any delay in regulatory approvals, lower than expected treatment effectiveness, unexpected side effect, low success rate or lack of patient demand may have a material impact on their demands for our services. If our growth strategy or business expansion is not successful or sufficient or does not earn a satisfactory return on investment, our business, financial condition, results of operations and prospects could be materially and adversely affected.

If we fail to implement our expansion plan to enhance our manufacturing capabilities as planned, or if such plan fails to achieve expected benefits, our business and prospects could be materially and adversely affected.

We experienced significant increase in the demand for our services during the Track Record Period and expect such increase to continue. We expect to launch commercial manufacturing of the first ADC drug in the near future. We provide manufacturing services at different scales, including laboratory scale, non-GMP pilot scale and cGMP-compliant commercial scale, to support our customers' non-clinical,

clinical and commercialization needs. We currently rely on our facilities in Shanghai, Changzhou and Wuxi to manufacture bioconjugate components, drug substances and drug products. We plan to increase our production capacity by building additional facilities in Wuxi for clinical or commercial manufacturing of bioconjugate components, drug substances and drug products, which is expected to be completed by the end of 2023. We also intend to establish a manufacturing base in Singapore to better serve our global customers. However, we cannot assure you that our expansion plan will be successfully implemented without delays or at all. Our ability to implement our expansion plan is subject to a number of factors. New manufacturing facilities may require prior review by regulatory authorities and/or approval of the manufacturing process and procedures in accordance with applicable requirements. This review may be costly and time-consuming. In addition, we will need to ensure that our new manufacturing facilities meet applicable quality standards, such as GLP, GMP and cGMP, for which we may incur substantial costs.

Any failure or delay in implementing any part of our expansion plan may result in a lack of production capacity to support our growth, market expansion, and the commercialization of our customers' products, which in turn could adversely affect our business, results of operations and financial condition. Specifically, if the manufacturing capacity of our existing and future facilities is not sufficient to cover the volume of antibodies or payload-linkers required by customer and project demands, we may need to acquire such additional intermediates from other suppliers, including the Remaining WXB Group and the WXAT Group. Moreover, our plans to increase our production capacity require significant capital investment, and the actual costs of our expansion plan may exceed our original estimates, which could materially and adversely affect the realization of expected return on our expenditures. In addition, if we fail to fully utilize the additional production capacity due to any adverse change to the market environment, technologies, and relevant policies, our business, results of operations and financial condition could be materially and adversely affected.

If we are unable to successfully expand or operate in new geographic markets, our growth, results of operations and financial condition could be adversely affected.

During the Track Record Period, we generated a majority of our revenue from customers in the United States, China and Europe. We intend to further expand our geographic footprint, and specifically, we intend to establish a manufacturing base in Singapore to meet the growing demand from customers worldwide and implement a "global dual sourcing" strategy. The legal and regulatory frameworks and competitive landscapes in Singapore and any other jurisdictions where we may maintain operations in the future may be different from those of the PRC. We may encounter unforeseeable barriers and challenges, which may result in a delay to or failure of our expansion plans. In addition, we may not be able to manage our costs or generate sufficient revenue to justify the time and resources spent on such expansion plan. If our geographic expansion is unsuccessful, our business operation and financial condition could be materially and adversely affected.

Our success depends on our ability to attract, train, motivate and retain highly skilled scientists and other technical personnel.

Our success depends, to a significant extent, on our team of scientists and other technical personnel and their ability to deliver high-quality and timely services to our customers and keep abreast of cutting-edge technologies and developments in the global ADC and broader bioconjugate market. We compete vigorously with pharmaceutical and biotechnology companies, other contract development and manufacturing companies and research and academic institutions for qualified and experienced scientists and other technical personnel. In particular, our customers value trained scientists with experience at

renowned pharmaceutical or biotechnology companies. As a result, such scientists are well-sought after by our competitors and we may face challenges in attracting and retaining skilled scientists and other technical personnel. We may not be able to hire and retain sufficient skilled and experienced scientists or other technical personnel at our current level of compensation. As a result, we may need to offer higher compensation and other benefits, which could materially and adversely affect our profit margin, financial condition and results of operations. In addition, we may not be successful in training our professionals to keep pace with changes in customer needs and technological and regulatory standards. Any inability to attract, motivate, train or retain qualified scientists or other technical personnel may have a material adverse effect on our business, financial condition, results of operations, cash flows and prospects.

The loss of services of our senior management and key scientific personnel could severely disrupt our business and growth.

Our commercial success depends significantly on the continued service of our senior management. The loss of any of our senior management or key scientific personnel could have a material adverse effect on our business and operations. If we lose the services of any senior management members or key scientific personnel, we may be unable to identify, hire and train suitable qualified replacements and may incur additional expenses and time to recruit and train new personnel, which could severely disrupt our business and growth. In addition, although each member of our senior management and key scientific personnel has signed a non-compete agreement with us, we may not be able to successfully enforce these clauses should any of them leaves us, which could adversely affect our business operations.

We operate in a highly competitive market, and if we do not compete effectively, our business, results of operations, financial condition and prospects could be harmed.

The global ADC and broader bioconjugate market is highly competitive and we expect this high level of competition to be increasingly fierce. As a CRDMO service provider for ADCs and other bioconjugates, we compete, both domestically and internationally, with other players in the market, such as full-service or specialty pharmaceutical outsourcing companies, large pharmaceutical companies offering third-party manufacturing services to fill their excess capacity, and universities and other research institutions. In addition, some pharmaceutical companies may elect to utilize their own development and manufacturing capabilities internally rather than outsourcing those functions to us or any of our competitors. We compete primarily on the basis of scientific expertise, knowledge and experience in research and development, availability of a broad range of equipment, technology availability (e.g., chemical and biotechnology means), on-time delivery, compliance with cGMPs, regulatory compliance, cost-effective services and financial stability. Moreover, we face multi-faceted competition from outsourcing service providers that focus on other drug modalities for customers' limited spending on drug discovery. See "— We are dependent on our customers' spending on and demand for our services. A reduction in customer spending or demand could have a material adverse effect on our business" for details.

Some of our competitors may have substantially greater financial, marketing, technical or other resources than we do, which may allow them to respond to changes in market demand more quickly with new, alternative or emerging technologies. Changes in the nature or extent of our customer requirements may render our service and product offerings obsolete or non-competitive. In addition, our competitors may improve the performance of their services and introduce new services at lower prices and with improved performance characteristics. Furthermore, increased competition could create pricing pressure on our services, which could reduce our revenue and profitability. There is no assurance that we will be able to compete effectively with existing competitors or new competitors or that the level of competition will not adversely affect our business, results of operations, financial condition and prospects.

Any failure to comply with existing or future laws, regulations and industry standards, any failure to pass inspections conducted by relevant regulatory authorities or any adverse actions by the drug approval authorities against us could negatively impact our reputation and our business, financial condition, results of operations and prospects.

In many countries or regions where an ADC or other bioconjugate drug is intended to be ultimately sold, such as China, the United States and Europe, the relevant government agencies and industry regulatory bodies impose high standards on the safety and efficacy of such drug, as well as strict rules, regulations and industry standards on the development and manufacture of such drug. Depending on different jurisdictions in which our customers operate, our provision of CRDMO services for those customers is subject to various and extensive ongoing regulations of the NMPA, the FDA, the EMA and equivalent regulatory authorities of other jurisdictions. These regulatory authorities may conduct inspections of our facilities to monitor our regulatory compliance from time to time. Although we passed all the inspections and obtained clearance in relation to drug development and manufacturing from the relevant regulatory authorities in all material respects during the Track Record Period, we cannot assure you that we will be able to do so going forward. Any failure by us to comply with the requirements of these regulatory authorities, existing regulations and industry standards could result in warning letters, product recalls or seizures, monetary sanctions, injunctions to halt manufacture and distribution, restrictions on our operations, civil or criminal sanctions, or withdrawal of existing or denial of pending approvals, including those relating to products or facilities. Such a failure could expose us to contractual or product liability claims, contractual claims from our customers, including claims for reimbursement for lost or damaged active pharmaceutical ingredients, as well as ongoing remediation and increased compliance costs. Any of the above negative consequences could have a material adverse effect on our reputation, business, financial condition, results of operations and prospects. In addition, any action against us for violation of the relevant regulations or industry standards, even if we successfully defend against it, could cause us to incur significant legal expenses, divert our management's attention from the operation of our business and adversely affect our reputation and financial results.

Changes in government regulations or in practices relating to the pharmaceutical and biotechnology industries, including reform of the drug approval process in relevant jurisdictions, could decrease demand for the services we provide, and compliance with new regulations may result in additional costs. Changes that result in a relaxation in regulatory requirements, or the introduction of simplified approval procedures which will lower the entry barrier for potential competitors, or an increase in regulatory requirements which may increase the difficulty for us to satisfy such requirements or may make our services less competitive, could eliminate or substantially reduce the demand for our services.

Our failure to obtain or renew certain approvals, licenses, permits and certificates required for our business may materially and adversely affect our business, financial condition and results of operations.

Pursuant to the relevant laws and regulations, we are required to obtain and maintain various approvals, licenses, permits and certificates from relevant authorities to operate our business. Any failure to obtain any approvals, licenses, permits and certificates necessary for our operations may result in enforcement actions thereunder, including orders issued by the relevant regulatory authorities causing operations to cease, and may include corrective measures requiring capital expenditure or remedial actions, which in the future could materially and adversely affect our business, financial condition and results of operations. There is also no assurance that the relevant authorities would not take any enforcement action against us. In the event that such enforcement action is taken, our business operations could be materially and adversely disrupted.

In addition, some of these approvals, permits, licenses and certificates are subject to periodic renewal and/or reassessment by the relevant authorities, and the standards of such renewal and/or reassessment may change from time to time. We are committed to applying for the renewal and/or reassessment of these approvals, permits, licenses and certificates when required by applicable laws and regulations; however, we cannot assure you that we will be able to successfully maintain or renew existing permits, licenses or any other regulatory approvals or obtain permits, licenses or other approvals needed for the operation of our businesses in the future. Any failure by us to obtain the necessary renewals and/or reassessment and otherwise maintain all approvals, licenses, permits and certificates necessary to carry out our business at any time could severely disrupt our business and prevent us from continuing to carry out our business, which could have a material adverse effect on our business, financial condition and results of operations.

Furthermore, if existing laws and regulations evolve or new regulations come into effect requiring us to obtain any additional approvals, permits, licenses or certificates that were previously not required to operate our existing businesses, we cannot assure you that we will successfully obtain such approvals, permits, licenses or certificates. Our failure to obtain the additional approvals, permits, licenses or certificates may restrict the conduct of our business, decrease our revenue and/or increase our costs, which could materially reduce our profitability.

We have made significant capital investments to meet growing demands of our customers, and, as a result, we depend on the continued success of our customers' projects and business.

We have made and are continuing to make significant capital expenditures based on anticipated demand from existing and potential new businesses. We depend on our customers' success in advancing their products through development, regulatory approval and commercialization. As of June 30, 2023, we had 67 ongoing preclinical bioconjugate projects and 43 ongoing post-IND bioconjugate projects. We depend on the continued success of these projects, as well as exploration of new business opportunities, to support our sustained growth. Any delay, non-approval or lack of demand may have a material impact on our business. Consequently, we may be required to reallocate our resources, a decision that could cause delays in our service offerings and result in lower-than-expected revenue.

Our customers operate in a heavily regulated industry and are subject to the oversight of regulators across the globe, including in China, the United States and Europe. Changes in laws and regulations in those jurisdictions relating to the pharmaceutical and biotechnology industries could materially and adversely affect the business of our customers and in turn affect the demand for our services. For example, the Guiding Principles for Clinical Research and Development of Oncology Drugs Oriented by Clinical Value (以臨床價值為導向的抗腫瘤藥物臨床研發指導原則) issued by the NMPA's Center for Drug Evaluation came into force in November 2021. The guidelines call for a patient-oriented approach to the R&D of oncology drugs and require drug innovators to use the standard-of-care treatment as control in late-stage clinical trials, rather than comparing to treatments that have already been replaced in clinical practice. The Guiding Principles for Clinical Research and Development and Technology of Oncology Antibody Drug Conjugates (抗腫瘤抗體偶聯藥物臨床研發技術指導原則) issued by the NMPA's Center for Drug Evaluation came into force in April 2023, which provided for, among others, several key areas of focus for the R&D of ADC drugs. Any such existing or proposed regulations could expose our services to higher requirements and the evolving interpretation and application of these laws and regulations may have a material impact on our and our customers' operation and business. If the business of our customers is negatively affected, the demand for our services may decrease as a result.

Specifically, early-stage biotech companies which have little assets or capital may rely particularly on the success of their projects to maintain their business. If their projects were to fail, these companies may not be able to continue to operate and may become insolvent. If this were to happen, these companies may not be able to pay our service fees and may need to terminate their service agreement with us.

Our services are highly complex, and if we are unable to provide high quality services to our customers or if our services do not meet evolving demands of our customers, our business could be adversely affected.

The services we offer are highly customized, exacting and complex. Failure to deliver our CRDMO services to the satisfaction of our customers may impair our reputation and result in decline in customer demands for our services. Our results of operations further depend on our ability to execute and, when necessary, improve our quality management strategy and systems, and our ability to effectively train and maintain our employee base with respect to quality management. A failure of our quality control systems in our existing and future operations and facilities could result in problems with facility operations or preparation or provision of product, service or technology. In each case, such problems could arise from a variety of factors, including equipment malfunction, failure to follow specific protocols and procedures, problems with raw materials or manufacturing operations, operator error, and failure to comply with regulations enforced by relevant government. Such problems could affect our development and production process, and may result in project suspension, destruction of products or a halt of facility production altogether.

In addition, our failure to meet required quality standards may result in our failure to timely deliver high quality work products, including the intermediates and products we manufacture for our customers' projects, to our customers, which in turn could damage our reputation and business relationship with our customers. Any such failure could, among other things, lead to increased costs, lost revenue, reimbursement to customers for lost drug product, registered intermediates, registered starting materials, and active pharmaceutical ingredients, other customer claims, damage to and possibly termination of existing customer relationships, time and expense spent investigating the cause and, depending on the cause, similar losses with respect to other products. If problems are not discovered before a product is released to the market by our customers, product recall and liability costs may also be incurred. In addition, such risks may be greater at facilities that are new or going through significant expansion or renovation.

We may not be successful in protecting the intellectual property owned by us or our customers or licensed from third parties.

Our success depends on the protection of the intellectual property owned by us or our customers or licensed from third parties. We primarily rely on our own know-how, trade secrets and other intellectual property to carry out our CRDMO services for ADCs and other bioconjugates. In addition, due to the nature of our services, we typically have access to a significant amount of know-how, intellectual property and even trade secrets owned by our customers. Our customers typically retain ownership of all intellectual property associated with their projects, including the intellectual property provided to us and the intellectual property arising from the services we provide, except for intellectual property created or developed in connection with the provision of our services that is derivative of our own intellectual property or that relates to manufacturing processes developed at our expense. We take significant efforts to protect our customers' proprietary and confidential information, including requiring our employees and relevant other third parties to enter into confidentiality agreements prohibiting them from disclosing our

customers' proprietary information or technology. However, these agreements may not provide meaningful protection for our customers' trade secrets and proprietary know-how as relevant parties may breach these agreements, which is out of our control. Any failure to protect the intellectual property owned by our customers or licensed from third parties may subject us to liability for breach of contract, as well as significantly damage our reputation, which is fundamental to our business.

Further, unauthorized third parties may obtain access to our trade secrets or know-how, and others may independently develop similar or equivalent trade secrets or know-how. Although we strive to diligently protect our intellectual property rights, we cannot assure you that all of our efforts to protect and defend our intellectual property will be successful, and we may encounter challenges in securing and enforcing our intellectual property rights. If our proprietary information is divulged to third parties, including our competitors, or our intellectual property rights are otherwise misappropriated or infringed, our competitive position could be harmed. Any failure to protect our own intellectual property may severely disrupt our business operations and reduce or eliminate any competitive advantage we have developed. Failure to protect the intellectual property owned by us or our customers or licensed from third parties could materially harm our business, financial condition, results of operations and prospects, and any remediation may significantly divert management's attention and resources from other activities.

Our services and our customers' products may infringe on or misappropriate the intellectual property rights of third parties.

We cannot assure you that we do not infringe on the intellectual rights of third parties. Any claims that our services infringe third parties' rights, including claims arising from our contracts with our customers, regardless of their merit or resolution, could be costly and may divert the efforts and attention of our management and technical personnel. We may not prevail in such proceedings given the complex technical issues and inherent uncertainties in intellectual property litigation. If such proceedings result in an adverse outcome, we could be required, among other things, to pay substantial damages, discontinue the use of the infringing technology, expend significant resources to develop non-infringing technology, license such technology from the third party claiming infringement (which license may not be available on commercially reasonable terms or at all) and/or cease the infringing processes or offerings, any of which could have a material adverse effect on our business.

In addition, our customers' products may be subject to intellectual property infringement claims and such claims could materially affect our business if their products cease to be manufactured and they have to discontinue the use of the infringing technology which we may provide. Any of the foregoing could affect our ability to compete or could have a material adverse effect on our business, financial condition and results of operations.

Under most of our long-term service agreements and project-based service contracts and work orders, we have agreed to indemnify the customer for intellectual property infringement claims arising out of our infringement of a third party's intellectual property. Our liability is usually capped at the total payments we have received under the service contract or work order except for losses arising from breach of confidentiality obligations or from our gross negligence or willful misconduct. As a result, if any aspect of a deliverable to a customer that we create infringes a third party's intellectual property rights due to our gross negligence or willful misconduct, and particularly if such deliverable ultimately becomes a commercially successful product, we could be exposed to substantial liability. Any material intellectual property infringement claim, if raised against us, could have a material adverse impact on our reputation, business, financial condition and results of operations.

If we fail to acquire new customers, our business, financial condition and results of operations may be adversely affected.

Our success depends on our ability to acquire new customers. We may not be able to attract new customers if we are unable to maintain our competitive edges including, among others, service capabilities and quality, timeliness of delivery and proprietary technical capabilities. Our success in attracting customers will also depend, in part, on our ability to be responsive to pricing pressures and changing industry trend. To remain competitive in the global ADC outsourcing services market, we must continuously expand our integrated service capabilities, develop and upgrade our proprietary technical capabilities and grow with our customers to establish long-term relationship. We also may not be able to attract customers if we are unable to market ourselves effectively. If we are unable to attract new customers, our business, financial condition or results of operations could be materially and adversely affected.

We may fail to retain our existing customers.

We have a diverse and growing customer base with a global footprint. However, we cannot assure you that we will be able to retain all existing or future customers. A large number of projects we have executed are at discovery or preclinical stages characterized by a high rate of experimental failure, inherent uncertainties and other complexities, which may lead to our customers' decision to discontinue the project earlier than we expected. Additionally, given the project-based nature of our services, customers are not obligated to stay with us for subsequent development stages and may seek services elsewhere. We rely on our ability to deliver high-quality services and maintain strong relationships with our customers to retain them. Our ability to retain customers may also be affected if we fail to maintain our competitive edges and be responsive to pricing pressures and changing industry trend. See "— If we fail to acquire new customers, our business, financial condition and results of operations may be adversely affected." If we are unable to retain customers effectively, our business, financial condition and results of operations may be materially and adversely affected.

The potential loss of major customers or any of our large contracts could materially and adversely affect our business, financial condition and results of operations.

In 2020, 2021, 2022 and the six months ended June 30, 2023, revenue generated from our five largest customers accounted for 51.9%, 39.8%, 34.1% and 45.7% of our revenue in each year/period, respectively, and revenue generated from our largest customer accounted for 14.5%, 13.1%, 8.9% and 13.2% of our revenue in each year/period, respectively, taking into account the customers who formally contracted with the Remaining WXB Group but made use of our services. For more information about our top five customers, see "Business — Customers." We cannot assure you that we will be able to maintain or strengthen our relationships with our major customers, or that our major customers will continue to outsource projects to us. If there is any significant reduction in spending on our CRDMO services by our major customers due to industry consolidation, deterioration of their financial conditions, budget cuts on R&D activities, pending regulatory approvals or other reasons, and we are unable to obtain suitable contracts or work orders of a comparable size and terms in substitution, our business, financial condition and results of operations may be materially and adversely affected. In addition, any deterioration on our key customers' ability to settle their trade receivables in a timely manner will have a material adverse effect on our results of operations.

We may not recover some or all of our cost or receive service fees, if we fail to complete our services stipulated under our contracts or work orders, or if we under-price our services for any reason.

We generate revenue primarily for CRDMO services provided on an FFS basis. We generally receive payments in accordance with a pre-agreed payment schedule specified in the contract or work order. The payment schedule sets out the fees for services we provide at relevant discovery, development or manufacturing steps that fall under the scope of work in the contract or work order. Our service contracts and work orders under the FFS model typically include a detailed schedule that sets forth specifications of and anticipated time required for completing each step as well as the corresponding payment. For more information, see "Business — Our Business Model — Our Fee models." As a result, if we fail to deliver services in a timely manner in accordance with our contractual requirements, regulatory standards or ethical considerations, if we incur cost overruns or if we price these contracts or work orders below our costs because of competitive pressures, we could be subject to significant costs.

Moreover, we generally allow our customers to terminate the contracts or work orders without cause by giving prior written notice. If a customer terminates a project-based service contract or a work order, the customer is typically obligated to pay for the services already rendered and costs and expenses already incurred or irrevocably committed up to the date we receive the termination notice, and in some cases the customer is also obligated to pay a cancellation fee. Therefore, even if we are able to deliver services as required in the contracts or work orders and recognize such revenue, we are still exposed to the risks of early termination of contracts or work orders or delay in payment due to factors such as unsatisfactory research results, failure in clinical development or changes in our customers' willingness to research and develop drugs, which could have an adverse effect on our business, financial condition, results of operations, cash flows and prospects. Furthermore, if our customers' drug candidates fail to pass the requisite steps or proceed through development, regulatory approval or commercialization, our services would be cut short and we would not be able to fully realize the value of our contracts or work orders. Cancellation or modification of a large contract or work order, or cancellation or modification of multiple smaller contracts or work orders, could materially and adversely affect our business, financial condition, results of operations and prospects.

We determine the fee level of our services based on the scope of the services, the estimated costs and expenses, the estimated amount of time to deliver our services, and the prices charged by our competitors for similar services, among others. However, our evaluation of these factors may be inaccurate or incorrect. If we underprice our contracts or experience cost overruns, we could incur losses from our contracts or work orders, and our business, financial condition, results of operations, cash flows and prospects would be adversely affected.

We are subject to product and other liability risks that could have a material adverse effect on our results of operations and financial condition.

In providing our services, we face a range of potential liabilities. We typically undertake to defend, indemnify and hold our customers harmless from and against any liabilities and damages (including reasonable attorneys' fees) resulting from any third-party claims, demands, suits or proceedings to the extent arising out of or relating to our negligence, willful misconduct, unlawful activities or material breach of the long-term service agreement or project-based service contract or a work order under the long-term service agreement. In particular, we may face product liability risks if the ADCs and other bioconjugates we help to discover, develop or manufacture are subject to product liability claims. We provide services in the discovery, development and commercial manufacturing of ADCs and other

bioconjugates that are intended ultimately to be used in humans, either in clinical trials or as marketed products, although we do not commercially market or sell these products to end users. If any of these drugs harms people due to our negligence, willful misconduct, unlawful activities or material breach, we may be subject to litigation and may be required to pay damages. Damages awarded in a product liability action could be substantial and could have a material adverse effect on our reputation, business, financial condition, results of operations and prospects. Although we currently maintain product liability insurance, our insurance coverage may be inadequate or may become unavailable on terms acceptable to us.

Our customers' ADCs and bioconjugates are, or may in the future be, sold, in jurisdictions, particularly in developed markets such as the United States and Europe, which may have onerous product liability and pharmaceutical product regulatory regimes, as well as litigious environments that may further expose us to the risk of product liability claims. Even if we are able to successfully defend ourselves against any such product liability claims, doing so may require significant resources and the time and attention of our management.

Outsourcing certain development steps to other outsourcing service providers may expose us to potential risks and liabilities.

We may outsource certain development steps to other outsourcing service providers from time to time during the ordinary course of our business. Historically, we have outsourced antibody intermediate manufacturing to the Remaining WXB Group and payload-linker manufacturing to the WXAT Group to meet the unfulfilled customer demand which exceeded our capacity. We cannot assure you that we will not continue to outsource certain development steps to other outsourcing service providers in the future even though we are actively building up our manufacturing capacities. Outsourcing to other service providers may subject us to potential risks and liabilities. Our outsourcing partners may face challenges or interruptions in their operations due to various factors that are beyond our control, including but not limited to labor disputes, raw material shortages and equipment failures. Such disruptions may result in delays or compromises to the projects. Failure on their part to meet deadlines, maintain product quality or comply with regulatory standards can affect our ability to fulfill our service obligations to our customers, which may harm our reputation and relationships with customers. Additionally, any negligent or willful misconduct by our outsourcing partners may expose us to potential liabilities. While we may seek indemnities from these partners, any such attempt can be costly and any indemnities obtained could be time-consuming and may not fully cover our losses.

The ADCs and other bioconjugates we help to discover, develop or manufacture may cause undesirable adverse events or have other properties that could delay or prevent their regulatory approval, limit their commercial profile or harm our reputation.

Undesirable adverse events caused by the ADCs and other bioconjugates we help to discover, develop or manufacture could cause our customers or regulatory authorities to interrupt, delay or halt clinical trials and could result in a more restrictive label or the delay or denial of regulatory approval for the relevant drugs. Results of our customers' trials could reveal a high and unacceptable level of severity or prevalence of adverse events. In such event, trials could be suspended or terminated and the regulatory authority may order our customers to cease further development of, or deny approval of, such drugs. If any of adverse events is attributable to or associated with our services, with or without merits, our reputation may be harmed, which may cause a decline in customer demand for our services and materially and adversely affect our business, results of operations and financial condition.

Any disruption of our current facilities could restrict our ordinary business operations and materially and adversely affect our results of operations and financial condition.

As of the Latest Practicable Date, we operated three sites in Shanghai, Changzhou and Wuxi, respectively. These sites are proximately located within a 200-kilometer radius, or approximately a two-hour drive. Our facilities may be harmed or rendered inoperable by physical damage from fires, floods, earthquakes, typhoons, power outages, mechanical breakdowns, telecommunications failures, loss of licenses, certifications and permits, changes in governmental planning for the land underlying the facility, and the regulatory development, many of which are beyond our control. We intend to further expand our geographic footprint, and specifically, we intend to establish facilities in Singapore to meet the growing demand from customers worldwide. However, we cannot assure you that such overseas expansion could effectively diversify and hedge against the risks arising from the proximity of our current facilities. Any substantial interruption in the development and manufacturing operations at our current facilities could result in our inability to satisfy customer demands, or even lead to our failure to fulfill contractual obligations, which could in turn materially and adversely affected our business, results of operations and financial condition.

Our reputation is key to our business success. Negative publicity may adversely affect our reputation, business and growth prospect.

Any negative publicity concerning us, our affiliates or any entity that shares the "WuXi" name, even if untrue, could adversely affect our reputation and business prospects. In particular, in light of our specialized customer base, customer referrals and word-of-mouth marketing have significantly contributed to our ability to acquire customers. Furthermore, a significant number of our affiliates or unrelated entities bear the "WuXi" name. As a result, any negative publicity about us or any of our affiliates or any entity that shares the "WuXi" name could also adversely affect our ability to retain our existing customers or attract new customers which in turn could negatively affect our revenue and profitability. Damage to our reputation could be difficult, expensive and time-consuming to repair and could make potential or existing customers reluctant to select us for new engagements, resulting in a loss of business and could adversely affect our recruitment and retention efforts. Damage to our reputation could also reduce the value and effectiveness of our brand name and could reduce investor confidence in us, adversely affecting the price of our Shares.

The economic, social and other general conditions in China could affect our business, results of operations, financial conditions and prospects.

We conduct a substantial part of our business operations in China. Accordingly, our business, results of operations and financial condition are influenced by economic, social, legal and other general developments in China. In particular, factors such as consumer, corporate and government spending, business investment, level of economic development, and resource allocation could affect the growth of our business.

The PRC economy has experienced significant growth over the past decades since the implementation of China's reform and opening-up policy. In recent years, the PRC government has implemented measures emphasizing the utilization of market forces in economic reform and the establishment of sound corporate governance practices in business enterprises. These economic reform measures may be adaptively adjusted from industry to industry or across different regions of the country. If the business environment in China changes, our business in China and the growth of our business may also be adversely affected.

Doing business with overseas customers and planned international expansion may subject us to a number of economic, political, regulatory, operation and management risks.

We have developed a global customer base, covering customers from the United States, China and Europe. In 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, 28.7%, 58.7%, 69.1%, 70.7% and 64.1% of our revenue were attributable to customers with headquarters located outside China. As a CRDMO, we may have obligations under the medicinal products regime that applies in the jurisdictions where our customers are located to the extent that we are involved in R&D, preclinical studies and/or clinical trials. Failure to comply with any of the legal and regulatory requirements may result in material impact on our provision of services to customers in the relevant jurisdictions. We intend to establish facilities in Singapore to meet the growing demand from customers worldwide. As of the Latest Practicable Date, the WXB Group had secured a land offer from the relevant authority in Singapore for its Singapore expansion as well as our Singapore site. We were formulating the detailed construction plan as of the same date. We face risks and challenges in serving overseas customers, future overseas operations and competing in international markets, including, but not limited to:

- our ability to effectively manage our employees at remote locations, or in different business environments from that of the PRC;
- our ability to develop and maintain relationships with customers, suppliers and other local businesses;
- compliance with product safety requirements and standards that are different from those of the PRC;
- variations and changes in laws applicable to our operations in different jurisdictions, including enforceability of intellectual property and contract rights;
- a rising trade protectionism, a decline in world trade or a downturn in the economy of the United States or the European Union (including the impact of the exit of the United Kingdom from the European Union);
- customs regulations and the import and export of goods and raw materials;
- the ability to provide sufficient levels of technical support in different locations;
- our ability to obtain and renew licenses that may be needed in various jurisdictions to support operations;
- fluctuations in currency exchange rates;
- changes in local tax laws, tax rates in certain countries that may exceed those of the PRC and lower earnings due to withholding requirements or the imposition of tariffs, exchange controls or other restrictions;
- seasonal reductions in business activity;
- local laws related to, and relationships with, local labor unions and works councils; and
- general economic and political conditions.

If any of these risks later materializes and we have failed to anticipate and effectively manage them, we may suffer a material adverse effect on our business and results of operations.

We may be subject to various laws relating to export controls.

We procure a substantial portion of raw materials and equipment and license technologies required for our operations from overseas, including the United States, and we may thus be subject to export control laws and regulations in the applicable jurisdictions, and specifically, the U.S. Export Administration Regulations, U.S. customs regulations and economic and trade sanctions administered by the United States governments, including but not limited to the U.S. Department of Commerce and its agencies, such as the Bureau of Industry and Security, and the U.S. Department of the Treasury and its agencies. These regulations provide that certain products may be exported outside of the United States only with the required export authorizations, including by license, license exception or other appropriate government authorizations. If we fail to comply with these laws or complete inspections required by the regulatory authorities in the United States, such as the U.S. Department of Commerce, in coordination with relevant government authorities of China, we may be adversely affected by reputational harm or loss of access to certain materials and equipment. During the Track Record Period and up to the Latest Practicable Date, we did not procure raw materials or equipment or license technologies that were subject to the export control laws and regulations of the United States or that required authorization from government authorities of the United States.

China imposes controls on the import and export of technology and software products. Under the Regulations on Administration of Imports and Exports of Technologies (技術進出口管理條例) promulgated by the State Council, which were amended in November 2020, technology import and export is defined to include, among others, the transfer or licensing of patents and know-how, and the provision of services related to technology. Depending on the nature of the relevant technology, the import and export of technology require either approvals by or registrations with the relevant PRC governmental authorities. As advised by our PRC Legal Advisor, on the basis of the aforesaid definition of technology export, the provision of our CRDMO services to overseas customers involving our technologies may be deemed as technology export. Nevertheless, our exported technologies do not fall within the currently effective catalogue of prohibited or restricted technologies for exportation, and therefore can be freely exported outside the PRC. The Measures for the Administration of Registration of Technology Import and Export Contracts (技術進出口合同登記管理辦法), issued by MOFCOM in February 2009, specify that agreements involving freely exported technologies shall be registered with the applicable PRC governmental authorities. Although there are no explicit penalties set forth in these regulations for lack of such registration, failure to register an agreement where such registration is required may result in restrictions concerning foreign exchange, banking and taxation matters relating to such agreements. We have registered some of our agreements involving the export of the relevant technologies, and with respect to other agreements which have not been registered, we have so far not encountered any issues with respect to foreign exchange, banking and taxation matters, nor have we received any penalties imposed by the competent government authority or received any notice from any government authority requiring us to complete the registration procedures. As advised by our PRC Legal Advisor, considering the relevant regulatory policies and the facts stated above, failure to register such agreements involving freely exported technologies will not have a material adverse effect on our overall financial condition or results of operations.

Our investments in different countries may be adversely affected by regulatory or government scrutiny of the target countries.

We may selectively pursue strategic alliances, licensing arrangements, investments and acquisitions in the future to enhance our technology platform. See "Business — Our Strategies — Continue to focus on cutting-edge technologies through internal R&D and strategic partnerships." Such investments may be subject to stringent regulatory or governmental scrutiny imposed by relevant authorities. For example, the United States Congress has passed legislation that will expand the jurisdiction and powers of the Committee on Foreign Investment in the United States ("**CFIUS**"), the United States interagency committee that conducts national security reviews of foreign investment. The Foreign Investment Risk Review Modernization Act ("**FIRRMA**") was signed into law in August 2018. Pursuant to FIRRMA, investments in companies that deal in "critical technology" are subject to filing requirements and, in some instances, review and approval by CFIUS. The term "critical technology" includes, among others, technology subject to United States export controls and certain "emerging and foundational technology," a term that is still being defined but that is expected to include a range of United States biotechnology. If an investment by a foreign entity in a United States business dealing in "critical technology" meets certain thresholds, a filing with CFIUS is mandatory. While FIRRMA currently grants CFIUS jurisdiction on only controlling and certain non-controlling investments made by foreign persons in United States businesses in research and development in biotechnology, CFIUS's jurisdiction may be further expanded in the future, which may increase the uncertainty and transaction costs of our future investments in and acquisitions of United States biotechnology businesses and therefore adversely affect the implementation of our future merger and acquisition activities and investment strategies in respect of United States biotechnology assets and businesses.

We are subject to environmental protection and health and safety laws and regulations and may be exposed to potential costs for compliance and liabilities, including consequences of accidental contamination, chemical or biological hazards or personal injury.

Our business operations are subject to national and local laws and regulations of the PRC pertaining to protection of the environment and health and safety, including but not limited to the treatment and discharge of pollutants into the environment and the use of highly toxic and hazardous chemicals in our development and manufacturing process. In addition, our construction projects can only be put into operation after the relevant administrative authorities in charge of environmental protection and health and safety have examined and approved the relevant facilities. Since the requirements imposed by such laws and regulations may change and more stringent laws or regulations may be adopted, we may be unable to comply in a timely manner, or to accurately predict the potentially substantial cost of complying, with these laws and regulations. If we fail to comply with environmental protection and health and safety laws and regulations, we may be subject to rectification orders, substantial fines, potentially significant monetary damages, suspend production or suspensions in our business operations. As a result, any failure by us to control the use or discharge of hazardous substances could have a material and adverse impact on our business, financial condition, results of operations and prospects.

In addition, we cannot fully eliminate the risk of accidental contamination, biological hazards or personal injury at our facilities during the development and manufacturing process. In the event of such accident, we could be held liable for damages and clean-up costs which, to the extent not covered by existing insurance or indemnification, could harm our business. Other adverse effects could result from such liability, including reputational damage resulting in the loss of business from customers. We may also be forced to close or suspend operations at certain of our affected facilities temporarily, or permanently. As a result, any accidental contamination, biological hazards or personal injury could have a material and adverse impact on our business, financial condition, results of operations and prospects.

We may be directly or indirectly subject to applicable anti-corruption and anti-bribery laws and regulations, which could expose us to penalties and other adverse effects.

We provide CRDMO services primarily for pharmaceutical and biotechnology companies that develop and commercialize ADCs and other bioconjugates, and we and our customers are subject to anti-bribery laws of China. The PRC government has taken increasingly stringent measures to correct corruptive practices in the pharmaceutical industry ("**Anti-Corruption Campaign**") since 2023. For example, in May 2023, 14 governmental departments including the National Health Commission jointly issued the Key Points for the Correction of Malpractice in the Purchase and Sales of Medical Products and Medical Services in 2023 (2023年糾正醫藥購銷領域和醫療服務中不正之風工作要點), emphasizing the need to address prominent corruption issues in the healthcare industry, particularly to rectify the malpractice that may occur involving the medical industrial associations and during the process of the purchases and sales of medical products. The Anti-Corruption Campaign targets not only at the medical and health institutions, but has also extended to upstream manufacturers, distribution channels, and third-party organizations, such as medical industrial associations. As this campaign deepens, the proposed sales and marketing programs of our customers may be impacted and the demand for our services may decrease. In addition, many of our customers are located in the United States and are subject to the Foreign Corrupt Practices Act ("**FCPA**") that generally bans an entity from, directly or indirectly, making improper payments to foreign officials for the purpose of obtaining or retaining business. As a result, our service contracts often include anti-bribery provisions which require us to comply with the FCPA and other anti-bribery laws in the United States. As our business has expanded, the applicability of the FCPA and other anti-bribery laws to our operations has increased.

Although we have procedures and controls to monitor anti-bribery compliance, we cannot guarantee these measures can fully protect us from reckless or criminal acts committed by our employees or agents, and we could be held liable for actions taken by our employees or agents, which could expose us to risks of regulatory investigations and penalties. If we fail to comply with applicable anti-bribery laws due to our own deliberate or inadvertent acts or those of our employees, our reputation could be harmed and we could incur criminal or civil penalties, other sanctions and significant expenses, which could have a material adverse effect on our business, financial condition and results of operations.

We may not be able to continue to serve our customers if we fail to meet our customers' standards in audits and inspections.

Our customers regularly audit and inspect our facilities, processes and practices to ensure that our services meet their standards in the discovery, development and manufacturing process. However, we cannot assure you that we will be able to pass all the customer audits and inspections at all times. Failure to pass any of these audits or inspections to our customers' satisfaction could significantly harm our reputation and result in the termination of ongoing projects by our customers, which could materially and adversely affect our business, financial condition, results of operations and prospects.

Increased labor costs could slow our growth and affect our profitability.

Our operations require a sufficient number of qualified employees. In recent years, the average labor cost in the global ADC and broader bioconjugate market, has been steadily increasing as the competition for qualified employees has become more intense, according to Frost & Sullivan. Our direct labor costs accounted for 51.3%, 41.5%, 20.7%, 29.1% and 14.2% of our cost of services in 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, respectively. We cannot assure you that there will not be further increase in labor cost. If there is a significant increase in our labor cost, our operations and profitability may be adversely affected.

We depend on a stable and adequate supply of quality raw materials from our suppliers, and price increases or interruptions of such supply could have an adverse impact on our business.

Our business operations require a substantial amount of raw materials, pharmaceutical intermediates and consumable materials. In 2020, 2021, 2022 and June 30, 2022 and 2023, our cost of raw materials accounted for 29.2%, 30.5%, 13.4%, 26.2% and 10.4% of our cost of services, respectively. During the Track Record Period, procurement of raw materials for the WXB Group was conducted on a centralized basis, and we also sourced certain property, plant and equipment through such centralized procurement system rather than directly from suppliers. Going forward, as our business continues to scale up, we intend to independently procure raw materials. The raw materials and equipment required for the provision of our services are generally readily available in the market through a number of suppliers. In the event of significant price increases for raw materials, we cannot assure you that we will be able to raise the prices of our services sufficiently to cover the increased costs. As a result, any significant price increase for our raw materials may have an adverse effect on our profitability.

Furthermore, suppliers may fail to provide us with raw materials and other components that meet the qualifications and standards required by us or our customers. If suppliers are not able to provide us with materials that meet our or our customers' specifications on a timely basis, our discovery, development and manufacturing activities may be interfered, or such materials may be available only at a higher cost or after a long delay, which could prevent us from successful and timely completion of the specified tasks in the drug development process as prescribed in our service contracts or work orders. Any such inability to deliver or delay in delivering our services may create liability for us to our customers for breach of contract or cause us to experience order cancellations and loss of customers.

We cannot assure you that we will be able to secure a stable supply of raw materials going forward. Our suppliers may not be able to keep up with our fast growth or may reduce or cease their supply of raw materials to us at any time. Our supplier relationships could be interrupted due to natural disasters, international supply disruptions caused by geopolitical issues, trade frictions, global shipping crises, or other events beyond our control or could be terminated in the future. Any sustained interruption in our receipt of adequate supplies could have an adverse effect on our business and financial results.

In addition, while we have supply chain processes intended to reduce volatility in component and material pricing, we may not be able to successfully manage price fluctuations. Price fluctuations or shortages could have a material adverse effect on our results of operations and financial condition. In addition, we cannot assure you that our suppliers have obtained and will be able to renew all licenses, permits and approvals necessary for their operations or comply with all applicable laws and regulations, and such failure by them may lead to interruption in their business operation, which in turn may result in shortage of raw materials supplied to us. Some of our suppliers are based overseas and therefore may need to maintain export or import licenses. If the supply of raw materials is interrupted, our business operation and financial position may be adversely affected.

We may not be able to effectively manage our inventory levels.

Our inventories include raw materials and consumables used for our services, such as laboratory supplies, antibody intermediates, and payload-linkers. We manage the raw materials' inventory level by monitoring the status of our ongoing projects and incoming new projects, and place orders through the centralized procurement system or with suppliers for any inventory that is expected to decline below targeted levels. We procure raw materials and equipment in accordance with our business expansion plan or to replace obsolete equipment on an as-needed basis. Adequate inventory level, however, is subject to numerous uncertainties, including current project progress, our level of success in securing new projects and other factors beyond our control. We recorded inventories of RMB7.7 million, RMB23.8 million, RMB62.9 million and RMB47.4 million as of December 31, 2020, 2021 and 2022 and June 30, 2023, respectively.

If we fail to manage our inventory levels effectively, we may be subject to a heightened risk of inventory obsolescence, a decline in the value of inventories, and potential inventory write-downs or write-offs. Procuring additional inventories may also require us to commit substantial working capital, preventing us from using such capital for other purposes. Any of the foregoing may materially and adversely affect our results of operations and financial condition.

Significant impairment losses with respect to our trade receivables and contract assets may materially and adversely affect our business, results of operations and financial condition.

We allow our customers a credit period ranging from 10 to 90 days. As of December 31, 2020, 2021 and 2022 and June 30, 2023, our trade receivables, net of impairment of credit loss, were RMB23.9 million, RMB89.2 million, RMB453.3 million and RMB672.7 million, respectively, and we recorded allowance for impairment of trade receivables of RMB0.3 million, RMB10.8 million, RMB51.9 million and RMB28.1 million as of the same dates, respectively. We recognized impairment losses with respect to trade receivables of RMB0.3 million, RMB10.6 million and RMB41.0 million in 2020, 2021 and 2022, respectively, and a reversal of impairment losses with respect to our trade receivables of RMB3.0 million and RMB23.8 million in the six months ended June 30, 2022 and 2023, respectively. Additionally, we recorded contract assets, net of allowance for credit losses, of RMB1.0 million, RMB10.7 million, RMB17.3 million and RMB24.7 million as of December 31, 2020, 2021 and 2022 and June 30, 2023, and we recorded allowance for credit losses in relation to our contract assets of nil, RMB2,000, RMB0.2 million and RMB1.7 million as of the same dates, respectively. We recognized impairment losses with respect to our contract assets of nil, RMB2,000, RMB0.1 million, nil and RMB1.6 million in 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, respectively. If any of our customers' cash flow, working capital, financial condition or results of operations deteriorates, it may be unable, or it may otherwise be unwilling, to pay trade receivables owed to us promptly or at all. Any substantial default or delay of a customer's payment obligations may materially and adversely affect our business, financial conditions and results of operations.

We may incur impairment losses with respect to our intangible assets and goodwill in the future, which may materially and adversely affect our business, financial condition and results of operations.

Our intangible assets, primarily comprising technology and customer relationships, were RMB4.8 million, RMB61.0 million, RMB50.6 million and RMB57.0 million as of December 31, 2020, 2021 and 2022 and June 30, 2023, respectively. Our goodwill, which primarily related to our acquisition of Payload & Linker Business in 2021, amounted to RMB215.2 million, RMB215.2 million and RMB215.2 million as of December 31, 2021 and 2022 and June 30, 2023, respectively. During the Track Record Period, we did not recognize impairment losses with respect to our intangible assets or goodwill. We cannot assure you that we will not recognize such impairment losses in the future. Impairment losses could arise from various factors such as a decrease in the future utility of our technology assets due to industry advancements that render them obsolete or less useful. Changes in market conditions could also erode the value attributed to customer relationships. Moreover, an economic downturn affecting our sectors could necessitate a re-evaluation of the carrying value of both our intangible assets and goodwill. Should any such impairments be recognized, our business, financial condition and results of operations could be materially and adversely affected.

We recorded net current liabilities during the Track Record Period, and if we continue to incur net current liabilities in the future, we may be exposed to liquidity risks.

We recorded net current liabilities of RMB608.2 million as of December 31, 2021, primarily due to the consideration payable to a related party for transfer of XDC Wuxi and consideration payable for acquisition of Payload & Linker Business. See "Financial Information — Liquidity and Capital Resources." We cannot assure you that we will not incur net current liabilities in the future. A net current liabilities position can expose us to the risk of shortfalls in liquidity, in which case our ability to raise funds and declare and pay dividends will be materially and adversely affected.

The discontinuation of any of research and other grants or preferential tax treatment currently available to us could adversely affect our financial position, results of operations, cash flows and prospects.

During the Track Record Period, we have benefited from research and other grants. In 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, we recorded research and other grants under other income of RMB39.6 million, RMB0.9 million, RMB15.8 million, RMB15.3 million and RMB31.3 million, respectively. We also enjoyed preferential tax treatment during the Track Record Period. See "Financial Information — Key Components of Our Results of Operations — Other Income" and "Financial Information — Key Components of Our Results of Operations — Income Tax Expense" for more details. Our eligibility to receive these financial incentives requires that we continue to meet the specified qualifications. Subject to applicable PRC laws and regulations, tax incentive schemes of the PRC are determined at the discretion of the central government or relevant local government authorities, which could determine to eliminate or reduce the financial incentives, generally with prospective effect. There can be no assurance that we will be able to obtain similar preferential tax treatment or financial incentives on recurring basis, or at all, in the future. Since our receipt of the financial incentives may be subject to periodic time lags and varied practices across different governmental departments, as long as we continue to receive these financial incentives, our net income in a particular period may be higher or lower relative to other periods depending on the potential changes in these financial incentives in addition to any business or operational factors that we may otherwise experience. The discontinuation of financial incentives currently available to us could have a material adverse effect on our financial condition, results of operations, cash flows and prospects.

We may not be able to fulfill our obligations in respect of contract liabilities, which may have a material adverse effect on our results of operations and financial condition.

As of December 31, 2020, 2021 and 2022 and June 30, 2023, our contract liabilities, primarily comprising deposits paid by customers, was RMB0.2 million, RMB10.0 million, RMB151.5 million and RMB232.4 million, respectively. See "Financial Information — Discussion of Major Balance Sheet Items — Contract Liabilities." If we fail to fulfill our obligations under our contracts with customers, we may not be able to convert such contract liabilities into revenue, and our customers may also require us to refund the deposits we have received, which may adversely affect our cash flow and liquidity condition. In addition, it may adversely affect our relationship with such customers, which may also affect our reputation and results of operations in the future.

We may undertake acquisitions or joint ventures that may have a material adverse effect on our ability to manage our business and may not be successful.

To pursue our growth strategy, we may acquire new technologies, businesses or services or enter into strategic alliances with third parties. We may not be able to identify attractive targets, and we have limited experience in acquisitions. In addition, we may not be able to successfully acquire the targets identified despite spending significant amount of time and resources on pursuing such acquisition. Furthermore, integration of an acquired company, its intellectual property or technology into our own operations is a complex, time-consuming and expensive process. The successful integration of an acquisition may require, among other things, that we integrate and retain key management, sales and other personnel, integrate the acquired technologies or services into our integrated services from both an engineering and a sales and marketing perspective, integrate and support preexisting supplier, distribution and customer relationships, coordinate research and development efforts, and consolidate duplicate facilities and functions.

The geographic distance between companies, the complexity of the technologies and operations being integrated and the disparate corporate cultures may altogether increase the difficulties of integrating an acquired company or technology. In addition, it is common in our industry for competitors to attract customers and recruit key employees away from companies during the integration phase of an acquisition.

Our available cash and stock may be used for our future acquisitions, which will possibly result in significant acquisition-related charges to earnings and dilution to our shareholders. Future acquisitions will likely present challenges and could require that our management develop expertise in new areas, manage new business relationships and attract new types of customers. The diversion of our management's attention and any difficulties encountered in these acquisitions could have an adverse effect on our ability to effectively manage our own business. These acquisitions and equity investments may also expose us to other potential risks, including loss of the invested amounts, inability to earn an adequate return, unforeseen liabilities, diversion of resources from our existing businesses and potential harm to relationships with employees or customers.

We have granted, and may continue to grant, share options and other types of awards under our share incentive plans, which may result in increased share-based payment expenses. Those share-based awards may also adversely impact our results of operations and be dilutive to your shareholding.

We adopted the 2021 [**REDACTED**] Share Option Scheme and the 2023 [**REDACTED**] Share Option Scheme to enhance our ability to attract and retain exceptionally qualified individuals and to encourage them to acquire a proprietary interest in the growth and performance of us. See "Appendix IV — Statutory and General Information — E. [**REDACTED**] Share Option Schemes." We incurred share-based compensation expenses of RMB6.5 million, RMB22.2 million, RMB38.6 million, RMB10.6 million and RMB31.8 million in 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, respectively.

Similar to other biotech companies, we believe share-based awards as part of an overall compensation package are important to attracting and retaining key personnel and employees, and we plan to continue to grant share-based compensation to employees in the future. As a result, our share-based payment expenses may increase, which may have an adverse effect on our results of operations and financial condition and dilute your shareholding.

We have limited insurance coverage, and any claims beyond our insurance coverage may result in us incurring substantial costs and a diversion of resources.

We maintain property insurance policies, employer's liability insurance and product liability and professional errors and omissions insurance, among our other insurance coverage. We do not maintain key-man life insurance for any members of our senior management or other key personnel or business disruption insurance. See "Business — Insurance" for details. Our insurance coverage may be insufficient to cover any claim for product liability, damage to our facilities, plant and equipment or employee injuries. In particular, we may face product liability risks if the ADCs and other bioconjugates we help develop or manufacture are subject to product liability claims. Our liability is not always capped under our service agreements, and in certain cases, the product liability cap is not applicable for claims relating to personal injuries or death. Any liability or damage to, or caused by, our facilities or our personnel beyond our insurance coverage may result in us incurring substantial costs and a diversion of resources.

We may become subject to legal proceedings and claims during the ordinary course of our business.

We may become, from time to time, subject to legal proceedings and claims that arise in the ordinary course of business or pursuant to governmental or regulatory enforcement activity. Actions brought against us, with or without merit, may result in administrative measures, settlements, injunctions, fines, penalties, negative publicity, or other results that could have material adverse effect on our reputation, business, financial condition, results of operations, and prospects. Even if we are successful in defending ourselves against these actions, we may incur significant costs and divert management's attention and resources in such defense. Furthermore, any litigations, legal disputes, claims or administrative proceedings which are initially not of material importance may escalate and become important to us due to a variety of factors, such as the facts and circumstances of the cases, the likelihood of loss, the monetary amount at stake and the parties involved. During the Track Record Period and up to the Latest Practicable Date, we were not subject to any claims, damages or losses which would have a material adverse effect on our financial position or results of operations as whole. As of the Latest Practicable Date, no material litigation, arbitration or administrative proceedings had been threatened against us.

Our insurance might not cover claims brought against us, or might not provide sufficient payments to cover all of the costs to resolve one or more such claims and might not continue to be available on terms acceptable to us. In particular, any claim could result in unanticipated liability to us if the claim is outside the scope of the indemnification arrangement we have with our customers, our customers do not abide by the indemnification arrangement as required, or the liability exceeds the amount of any applicable indemnification limits or available insurance coverage. A claim brought against us that is uninsured or underinsured could result in unanticipated costs and could have a material adverse effect on our financial condition, results of operations or reputation.

We may not be able to secure additional financing on favorable terms, or at all, to meet our future capital needs.

We may need additional capital, aimed to expand our capacity, develop new services and remain competitive. We expect to meet such capital commitments by using cash from operations and [**REDACTED**] to be received from the [**REDACTED**]. However, financing may be limited in amounts or on terms acceptable to us. Our ability to obtain additional capital is subject to a variety of uncertainties, including our future financial condition, results of operations and cash flows, general market conditions for capital-raising activities within the industry, global political conditions, economic and other conditions in China, the United States or globally. The sale of additional equity or equity-linked securities could lead to dilution to the shares held by our shareholders. The incurrence of indebtedness would result in increased debt service obligations and could result in operating and financing covenants restricting our operations or our ability to pay dividends, which may adversely impact our business, financial conditions and results of operations.

Any failure of our information systems, such as from data corruption, cyber-based attacks or network security breaches, could have a material adverse effect on our business and results of operations.

We rely on a variety of information technology and automated operating systems to manage or support our operations, including protecting our customers' intellectual property. The proper functioning of these systems is critical to the efficient operation and management of our business. In addition, these systems may require modifications or upgrades as a result of technological changes or growth in our business. These changes may be costly and disruptive to our operations and could impose substantial demands on management time. Our systems and those of third-party providers may be vulnerable to damage or disruption caused by circumstances beyond our control, such as catastrophic events, power outages, natural disasters, computer system or network failures, viruses or malware, physical or electronic break-ins, unauthorized access, cyber-attacks and thefts. We cannot assure you that the measures and steps we take to secure our systems and electronic information are adequate. Any significant disruption to our systems could result in unauthorized disclosure of confidential information and adversely affect our business and operating results.

An occurrence of a natural disaster, widespread health epidemic or other outbreaks, such as the COVID-19 pandemic, could have a material adverse effect on our business, results of operations and financial condition.

Our business could be materially and adversely affected by natural disasters and extreme weather conditions, such as snowstorms, earthquakes, fires or floods, the outbreak of a widespread health epidemic, such as the COVID-19 pandemic, or other events, such as wars, acts of terrorism, environmental accidents, power shortage or communication interruptions. The occurrence of such a disaster or prolonged outbreak of contagious diseases or other adverse public health issues could materially disrupt our business and operations. For example, a series of precautionary and control measures have been implemented worldwide to contain the virus since the COVID-19 outbreak. Our Directors confirmed that, up to the Latest Practicable Date, the COVID-19 outbreak had not had a material adverse effect on our business, results of operations and financial condition. Any future impact caused by the COVID-19 pandemic will depend on its subsequent development. We cannot be entirely certain as to when the COVID-19 pandemic will be fully contained, and its impact will be completely alleviated. There remain significant uncertainties surrounding the COVID-19 outbreak and its further development as a global pandemic, considering the severe global situation and occasional regional resurgence of COVID-19 cases. We are closely monitoring the development of the COVID-19 pandemic and continually evaluating any potential impact on our business operations.

We are also vulnerable to natural disasters and other force majeure events. Fire, floods, typhoons, earthquakes, power shortages, telecommunications failures, wars, riots, terrorist attacks or similar events could adversely affect our ability to conduct our business. Our business could also be adversely affected by the effects of Ebola virus diseases, H1N1 flu, H7N9 flu, avian flu, Severe Acute Respiratory Syndrome (SARS), or other epidemics. The occurrence of any of the foregoing events may, among others, disrupt our R&D and manufacturing activities and affect the business environment and sentiment, all of which may have a material and adverse effect on our business, results of operations, financial condition and prospects.

Fluctuations in exchange rates may result in foreign exchange losses and adversely impact our profitability.

We develop and maintain a global customer base and transact business with global suppliers and partners. Fluctuations in exchange rates between the Renminbi and the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in the global geopolitical and economic conditions and the foreign exchange policies. Our foreign currency exposure is mainly with respect to U.S. dollars. During the Track Record Period, a majority of our revenue was generated from sales denominated in U.S. dollars. However, a majority of our cost of services and operating costs and expenses are denominated in Renminbi, and our financial information is presented in Renminbi. As a result, when the Renminbi appreciates against the U.S. dollar, our margins are pressured, and we may not be able to price our service contracts or work orders, in particular those with our U.S. customers, in currencies other than the U.S. dollar. We incurred net foreign exchange losses of RMB2.7 million, RMB1.0 million and RMB1.4 million in 2020, 2021 and the six months ended June 30, 2023, respectively, and net foreign exchange gain of RMB46.3 million and RMB25.5 million in 2022 and the six months ended June 30, 2022, respectively. During the Track Record Period, we utilized derivative contracts to hedge against our exposure to currency risk. The availability and effectiveness of these hedges may be limited, and we may not be able to successfully hedge our exposure at all.

Changes in geopolitical relationships, international trade policies and other tensions may impact our business operations.

During the Track Record Period, we generated a substantial portion of our revenue from customers in foreign countries and regions, in particular the United States. Our business is therefore subject to constantly changing international economic, regulatory, social and global political conditions, and local conditions in those foreign countries and regions. As a result, China's relationships with those foreign countries and regions may affect the demand for our services and our ability to serve foreign customers. There can be no assurance that such customers will not alter their perception of us or their preferences as a result of adverse changes to the relationships between China and the relevant foreign countries or regions. Any tensions and concerns between China and the relevant foreign countries or regions may cause a decline in the demand for our services and adversely affect our business, financial condition, results of operations, cash flows and prospects.

In recent years, as trade frictions increase between the United States and China, concerns exist among PRC enterprises transacting with United States companies that a possible trade war between the two countries could have possible impact on their business. Elevated tensions between the two countries have been driven by a range of factors, including global pandemic, legislative actions, economic sanctions, and executive orders. These developments have led to restrictions on various transactions and investments involving Chinese enterprises. Rising tensions could reduce levels of trades, investments, technological exchanges and other economic activities between the two major economies, which would have a material adverse effect on global economic conditions and the stability of global financial markets. A trade friction between global large trade partners could also threaten the ongoing global economic development and the increasing cross-border transactions trend. A deterioration in Sino-US relationship could negatively impact the global economic development and the cross-border transactions between China and the United States. Given that a substantial number of our customers are pharmaceutical and biotechnology companies in the United States, the demands of our services are significantly influenced by United States government's attitude toward Chinese services providers in pharmaceutical and biotechnology industries. We cannot assure you that we will not be negatively influenced by the increasing trade frictions between the United States and China as well as by adverse changes in United States laws and regulations toward diplomatic relations. As a result, our business, financial condition, results of operations and business prospects could be materially and adversely affected.

We are required to make adequate contributions to social insurance and housing provident fund for our employees under the PRC regulations.

Pursuant to the relevant PRC laws and regulations, employers are obligated to contribute to the social insurance and housing provident funds for their employees. If any of the relevant social insurance authorities is of the view that the social insurance contributions we made for our employees do not comply with the requirements under the relevant PRC laws and regulations, it may order us to pay the outstanding balance within a prescribed time period plus a late fee of 0.05% of the total outstanding balance per day. If we fail to do so within the prescribed period as requested by the relevant social insurance authorities, we may be subject to a fine ranging between one to three times of the total outstanding balance. In addition, if any of the relevant housing provident fund authorities is of the view that our contributions to the housing provident fund do not satisfy the requirements under the relevant PRC laws and regulations, it may order us to pay the outstanding balance within a prescribed period. If we fail to do so within the prescribed period, the relevant housing provident fund authority may apply to a PRC court for an order of mandatory payment.

As of the Latest Practicable Date, no material administrative action, fine or penalty had been imposed by relevant regulatory authorities with respect to our social insurance or housing provident fund contributions. In addition, we did not receive any notice from judicial or administrative authorities on any claim from our current and former employees regarding any inadequate contributions.

During the Track Record Period, we engaged third-party human resource agencies to make social insurance and housing provident fund contributions for certain employees. As of the Latest Practicable Date, the practice had not been explicitly prohibited by PRC laws and regulations, and we had not received any administrative penalty from the regulatory authorities for such practice. As of the Latest Practicable Date, we had not been subject to any labor dispute relating to such arrangements. However, as the labor-related laws and regulations and their interpretation and implementation continue to evolve, we cannot assure you that our arrangements with third-party agencies are and will at all times be deemed to be in full compliance with relevant laws and regulations, which may subject us to labor disputes or government investigations. In addition, if these agencies fail to fulfill their obligations to make the social insurance and housing provident fund contributions for the relevant employees, we may be subject to additional contribution obligations, late payment fees and/or penalties imposed by relevant regulatory authorities for failing to discharge our obligations as an employer or be ordered to rectify. The occurrence of any of the foregoing could adversely affect our business, results of operations and financial condition.

Failure to comply with PRC property laws and relevant regulations may affect our business, results of operations and financial condition.

We lease certain properties from third parties to be used mainly as office, factories and R&D premises. As of the Latest Practicable Date, three of our leased properties had title defects that may affect our ability to continue to use them normally in the future. The existence of title defects is mainly due to the following reasons: (1) the lessors of two leased properties are different from the real estate owners of such leased properties, and (2) the intended purposes contained in the property ownership certificates of one property is inconsistent with the actual use of property. The relevant lease agreements may be deemed invalid or we may face challenges from the property owners or other third parties regarding our right to lease the premises. Furthermore, if the landlords fail to perform its obligations under the lease agreements between the landlords and us due to any reason, including but not limited to its own non-compliance with relevant laws and regulations, government demolition or any other unforeseeable events, we may be unable to continue using such properties. As of the Latest Practicable Date, we are not aware of any challenges being made by a third party or government authority on the titles of any of these leased properties that might affect our current occupation. Although we do not expect to become subject to any fines or penalties if any of these leases are terminated as a result of challenges by third parties or government authorities for any of these title defects, we may be forced to relocate the affected offices, factories and R&D premises and incur additional expenses accordingly. If we fail to find suitable replacement sites in a timely manner or on terms commercially acceptable to us, our business and results of operations could be materially and adversely affected.

Under the applicable PRC laws and regulations, the parties to a lease are required to register and file such lease with the relevant government authorities. As of the Latest Practicable Date, certain lease agreements of our leased properties had not been registered or filed, and we had not obtained registration certificate for one lease agreement. While the lack of registration will not affect the validity of the leases under PRC laws and regulations, we may be ordered by the relevant government authorities to register the relevant leases within a prescribed period, failing which we may be subject to a fine ranging from RMB1,000 to RMB10,000 for each non-registered lease.

There may be difficulty in protecting your interest under the law of Cayman Islands.

Our corporate affairs are governed by our Memorandum of Association, Articles of Association, the Cayman Companies Act, and the common law of the Cayman Islands. Your rights, as a Shareholder, to take action against the Directors, the rights of minority Shareholders to institute actions and the fiduciary responsibilities of our Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. There may be difficulty in protecting your interest under the law of Cayman Islands.

Inflation could affect our profitability and growth.

The governments of the jurisdictions where we operate have implemented various policies and may continue to implement various policies from time to time to reduce inflation, including imposing various corrective measures designed to regulate the availability of credit or regulate growth. High inflation in the future may cause the governments of the jurisdictions where we operate to regulate credit and/or price of commodities, or to take other similar actions. Any action on the part of such governments that seeks to regulate credit and/or price of commodities may affect our business operations, causing impact on our profitability and growth.

RISKS RELATING TO OUR RELATIONSHIP WITH REMAINING WXB GROUP AND WXAT GROUP

If we are no longer able to benefit from our cooperation with the Remaining WXB Group and the WXAT Group, our business may be adversely affected.

We have benefited from during the Track Record Period, and expect to continue to benefit from, our cooperation with the Remaining WXB Group and the WXAT Group for various forms, such as discovery and development, manufacturing and quality testing services in relation to antibodies, payload-linkers, raw material procurement services, project management services and overseas technical support services. In 2020, 2021 and 2022, the amount of non-exempt continuing connected transactions with the Remaining WXB Group was RMB51.5 million, RMB253.3 million and RMB794.8 million, respectively, and the amount of non-exempt continuing connected transactions with the WXAT Group was nil, RMB23.3 million and RMB137.8 million in the same periods, respectively. See "Connected Transactions — Non-exempt Continuing Connected Transactions." If the Remaining WXB Group and the WXAT Group fail to continue their cooperation with us, provide support to us, or conducts business in an unacceptable manner or takes other actions that are detrimental to our interests, we may have to renegotiate with them for the cooperation or support or attempt to approach other business partners as replacements, which may be expensive, time-consuming and disruptive to our operations. If we are unable to maintain our relationship with the Remaining WXB Group or the WXAT Group, our business and operations could be severely disrupted, which could materially and adversely affect our results of operations and financial condition.

The Remaining WXB Group and the WXAT Group may exert substantial influence over our operations and may not act in the best interests of the independent Shareholders.

Immediately following the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised and without taking into account of any exercise of the share options granted under the [**REDACTED**] Share Option Schemes, WuXi Biologics and STA Pharmaceutical will each control over 30% of the voting power of Shares in issue. See "History, Reorganization and Corporate Structure" for details. Therefore, the Remaining WXB Group and the WXAT Group will be able to exercise significant influence over matters requiring Shareholders' approval, including the election of Directors and the approval of certain significant corporate transactions. Such concentration of ownership also may have the effect of delaying, preventing or deterring a change in control of the Company that would otherwise benefit the Shareholders. The interests of the Remaining WXB Group and the WXAT Group may not always coincide with our or your best interests. If the interests of the Remaining WXB Group and the WXAT Group conflict with our interests or those of the other Shareholders, or if the Remaining WXB Group and the WXAT Group choose to cause our business to pursue strategic objectives that conflict with our interests or those of the other Shareholders, we or those other Shareholders, including you, may be disadvantaged as a result.

We may have conflict of interest with the Remaining WXB Group and the WXAT Group and, because of their ownership interest in our Company, we may not be able to resolve such potential conflicts on terms favorable to us.

We may have conflict of interest with the Remaining WXB Group and the WXAT Group and, because of their ownership interest in our Company, we may not be able to resolve such conflict on terms favorable to us. Conflict of interest may arise between the Remaining WXB Group or the WXAT Group and us in a number of areas relating to our ongoing relationships, for example, for employee and talent recruitment. Although the Company will become a stand-alone public company, we expect to operate, for as long as WuXi Biologics and STA Pharmaceutical remain our Controlling Shareholders, as a subsidiary or an affiliate of our Controlling Shareholders. They may from time to time make strategic decisions that they believe are in the best interests of their business and shareholders as a whole. These decisions may be different from the decisions that we would have made on our own. Their decisions with respect to us or our business may be resolved in ways that favor themselves and therefore their Shareholders, which may not coincide with our interests and the interests of our other Shareholders. After we become a stand-alone public company, we will have an audit committee, consisting of independent non-executive Directors, to review and approve all proposed connected transactions as defined in the Listing Rules. However, we may not be able to resolve all potential conflicts, and even if we do so, the resolution may be less favorable to us than if we were dealing with a non-controlling shareholder. For further details as to how we address such conflicts, see "Relationship with our Controlling Shareholders."

Any negative development in the WXB Group's market position and brand image may adversely affect the strength and integrity of our brand.

We have benefited significantly and expect to continue to benefit significantly from the WXB Group's strong brand recognition and broad customer base, which provide us credibility and a broad marketing reach. If the WXB Group loses its market position, the effectiveness of our marketing efforts through our association with the WXB Group may be materially and adversely affected. In addition, any negative publicity associated with the WXB Group or any negative development with respect to the WXB Group's market position and brand image, it could have an adverse impact on our business, our marketing efforts, our relationships with strategic partners and users, our reputation and brand.

RISKS RELATING TO CONDUCTING BUSINESS IN CHINA AND OTHER JURISDICTIONS WHERE WE OPERATE

We may be subject to the approval, filing or other requirements of the CSRC or other PRC governmental authorities in connection with future capital raising activities, and, if required, we cannot predict whether we will be able to obtain such approval or complete such filing.

On July 6, 2021, the General Office of the State Council, together with another regulatory authority, jointly promulgated the Opinions on Strictly Combating Illegal Securities Activities in Accordance with the Law (關於依法從嚴打擊證券違法活動的意見), which calls for, among others, enhanced administration and supervision of overseas-listed China-based companies, proposes to revise the relevant regulation governing the overseas issuance and [**REDACTED**] of shares by such companies, and clarifies the responsibilities of competent domestic industry regulators and government authorities.

On February 17, 2023, the China Securities Regulatory Commission ("**CSRC**") released the Trial Administrative Measures of Overseas Securities [**REDACTED**] and [**REDACTED**] by Domestic Companies (境內企業境外發行證券和上市管理試行辦法) and five supporting guidelines (together, "**Trial Measures**"), which came into effect on March 31, 2023. Pursuant to the Trial Measures, domestic companies that seek to list overseas, both directly and indirectly, should fulfill the filing procedure and report relevant information to the CSRC. Specifically, following the principle of substance over form, if an issuer meets both of the following criteria, its overseas [**REDACTED**] and [**REDACTED**] will be deemed as an indirect [**REDACTED**] and [**REDACTED**] by a domestic enterprise: (1) any of the total assets, net assets, revenue or profits of the domestic operating entities of the issuer in the most recent accounting year accounts for more than 50% of the corresponding figure in the issuer's audited consolidated financial statements for the same period; and (2) its major operational activities are carried out in China or its main places of business are located in China, or a majority of the senior management in charge of operation and management of the issuer are Chinese citizens or are domiciled in China. The filing is required to be conducted within three business days after the submission of the application for [**REDACTED**] and [**REDACTED**] overseas to the overseas regulators. The CSRC will review the filing application and may have queries and may consult with other relevant regulators. Filings granted by the CSRC will have a valid term of one year during which the issuer should complete the [**REDACTED**]. Further follow-up [**REDACTED**] after overseas [**REDACTED**] also require a filing within three business days after the completion of the [**REDACTED**], and the listed companies will need to report to the CSRC upon the occurrence and public disclosure of certain significant matters such as a change in control, penalty received from overseas securities regulators or relevant PRC regulators, a switch of [**REDACTED**] status and a termination of [**REDACTED**]. See "Regulatory Overview — Laws and Regulations of the PRC — Regulations on Overseas [**REDACTED**]" for details. If a domestic company fails to complete the filing procedure or conceals any material fact or falsifies any major content in its filing documents, such domestic company may be subject to administrative penalties, such as orders to rectify, warnings, fines, and its controlling shareholders, actual controllers, the person directly in charge and other directly liable persons may also be subject to administrative penalties, such as warnings and fines.

Our PRC Legal Advisor is of the view that this [**REDACTED**] shall be deemed as an indirect [**REDACTED**] and [**REDACTED**] by PRC domestic enterprise, and we are required to submit filings with the CSRC within three business days after we submit application for this [**REDACTED**]. We submitted the required filing documents with the CSRC on July 12, 2023. On October 19, 2023, the CSRC issued a notification on our completion of the PRC filing procedures for the [**REDACTED**] of our Shares on the Stock Exchange and the [**REDACTED**]. As advised by our PRC Legal Advisor, no other approvals from the CSRC are required to be obtained for the [**REDACTED**] of our Shares on the Stock Exchange. A rescission of any such approval or filing obtained by us would subject us to sanctions by the CSRC or other PRC regulatory authorities, and such failure may materially adversely affect our ability to finance the development of our business and, in turn, our business and financial condition. Furthermore, if the filing procedure with the CSRC under the Trial Measures is required for any future [**REDACTED**], [**REDACTED**] or any other capital raising activities, it is uncertain whether we could complete the filing procedure in relation to any further capital raising activities in a timely manner, or at all.

On February 24, 2023, the CSRC, the Ministry of Finance, the National Administration of State Secrets Protection, and the National Archives Administration of China published the revised Provisions on Strengthening the Confidentiality and Archives Administration of Overseas [**REDACTED**] and [**REDACTED**] by Domestic Companies (關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定) ("**Archives Rules**") which came into effect on March 31, 2023. The Archives Rules require that, in relation to the overseas [**REDACTED**] and [**REDACTED**] activities of domestic enterprises, either in direct or indirect form, such domestic enterprises, as well as securities companies and securities service institutions providing relevant securities services, are required to strictly comply with relevant requirements on confidentiality and archives management, establish a sound confidentiality and archives system, and take necessary measures to implement their confidentiality and archives management responsibilities. According to the Archives Rules, during an [**REDACTED**] and [**REDACTED**], if a domestic company needs to provide or publicly disclose to securities companies, securities service providers and overseas regulators, any materials that contain relevant state secrets or that have an adverse impact on the national security or public interests, the domestic company should complete the relevant approval/filing and other regulatory procedures.

The CSRC or other PRC regulatory authorities may also take actions requiring us, or making it advisable for us, to halt this [**REDACTED**] or future [**REDACTED**] activities before settlement and delivery of the Shares [**REDACTED**] hereby. Consequently, if you engage in market trading or other activities in anticipation of and prior to settlement and delivery, you do so at the risk that settlement and delivery may not occur. In addition, if the CSRC or other regulatory authorities later promulgate new rules or explanations requiring that we obtain their approvals or accomplish the required filing or other regulatory procedures in addition to those prescribed under the Trial Measures for this [**REDACTED**] or future [**REDACTED**] activities, we may be unable to obtain a waiver of such approval requirements, if and when procedures are established to obtain such a waiver. Any such circumstances regarding such approval, filing or other requirements could materially and adversely affect our business, prospects, financial condition, reputation, and trading price of the Shares.

However, given that the Trial Measures and Archives Rules were recently promulgated, their interpretation, application, and enforcement are still evolving and we are closely monitoring how they will affect our operations and our future financing.

Failure to comply with PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may subject our PRC resident beneficiaries to personal liability, may affect our ability to acquire PRC companies or to inject capital into our PRC subsidiaries, may affect the ability of our PRC subsidiaries to distribute profits to us or may otherwise materially and adversely affect us.

Pursuant to the Circular on Issues concerning the Foreign Exchange Administration of the Overseas Investment and Financing and the Round-Tripping Investment Made by Domestic Residents through Special-Purpose Companies (關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知) ("**Circular 37**"), which was promulgated by the State Administration for Foreign Exchange of the PRC (中華人民共和國 外匯管理局) ("**SAFE**") and became effective on July 4, 2014, (1) a PRC resident (including PRC institutions and individuals) must register with the local SAFE branch before he or she contributes assets or equity interests in an overseas special purpose vehicle ("**Overseas SPV**") that is directly established or indirectly controlled by the PRC resident for the purpose of conducting investment or financing; and (2) following the initial registration, the PRC resident is also required to register with the local SAFE branch for any changes of the basic information in respect of the Overseas SPV, including, among other things, a change in the Overseas SPV's PRC resident shareholder, name of the Overseas SPV, term of operation, or any substantial changes in respect of the Overseas SPV, including, among other things, any increase or reduction of the contributions by the PRC resident, share transfer or swap, and merger or division. Pursuant to the SAFE Circular on Further Simplification and Improvement in Foreign Exchange Administration Policies on Direct Investment (國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知) ("**Circular 13**"), which was promulgated on February 13, 2015 and amended on December 30, 2019, the aforesaid registration shall be directly reviewed and handled by qualified banks in accordance with the Circular 13, and SAFE and its branches shall perform indirect regulation over the foreign exchange registration via qualified banks.

We may not at all times be fully aware or informed of the identities of all our beneficiaries who are PRC residents, and may not always be able to compel our beneficiaries to comply with the requirements of the Circular 37. As a result, we cannot assure you that all of our beneficiaries who are PRC residents will at all times comply with, or in the future make or obtain any applicable registrations or approvals required by the Circular 37 or other related regulations. Under the relevant rules, failure to comply with the registration procedures set forth in the Circular 37 may limit the foreign exchange activities of the relevant PRC enterprise and may also subject the relevant PRC resident to penalties under the PRC foreign exchange administration regulations.

Any failure to comply with PRC regulations regarding our employee equity incentive plans may subject the PRC plan participants or us to fines and other legal or administrative sanctions.

In February 2012, SAFE promulgated the Circular on Relevant Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly Listed Companies (關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知) ("**SAFE Circular 7**"), replacing the previous rules issued by SAFE in March 2007. Under the SAFE Circular 7 and other relevant rules and regulations, PRC residents who participate in an equity incentive plan in an overseas publicly-listed company are required to register with SAFE or its local branches and complete certain other procedures. Participants of an equity incentive plan who are PRC residents must retain a qualified PRC agent, which could be a PRC subsidiary of the overseas publicly listed company or another qualified institution selected by the PRC subsidiary, to conduct the SAFE registration and other procedures with respect to the equity incentive plan on behalf of its participants. The participants must

also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, the purchase and sale of corresponding stocks or interests and fund transfers. In addition, the PRC agent is required to amend the SAFE registration with respect to the equity incentive plan if there is any material change to the equity incentive plan, the PRC agent or the overseas entrusted institution or other material changes. We and our PRC employees who have been granted share options will be subject to these regulations upon the completion of this [**REDACTED**]. Failure of our PRC share option holders to complete their SAFE registrations may subject these PRC residents to fines of up to RMB300,000 for entities and up to RMB50,000 for individuals, and legal sanctions and may also affect our ability to contribute additional capital to our PRC subsidiary, affect our PRC subsidiary's ability to distribute dividends to us, or otherwise materially and adversely affect our business.

The SAT has also issued relevant rules and regulations concerning employee share incentives. Under these rules and regulations, our employees working in the PRC will be subject to PRC individual income tax upon exercise of the share options. Our PRC subsidiary has obligations to file documents with respect to the granted share options or restricted shares with relevant tax authorities and to withhold individual income taxes for their employees upon exercise of the share options or grant of the restricted shares. If our employees fail to pay or we fail to withhold their individual income taxes according to relevant rules and regulations, we may face sanctions imposed by the competent governmental authorities

Any uncertainties embedded in the legal systems of certain jurisdictions where we operate could adversely affect our business, financial condition and results of operations and our investors could be affected as a result.

The legal systems of the jurisdictions where we operate vary significantly. Some jurisdictions have a civil law system based on written statutes and others are largely based on common law. Unlike common law systems where the case laws have binding effects, prior court decisions under civil law systems may be cited for reference but have limited precedential value. We are based in China and our business in China are governed by PRC laws and regulations. The PRC legal system is a civil law system based on written statutes. Since the late 1970s, the PRC government has promulgated laws and regulations dealing with economic matters, such as foreign investment, corporate organization and governance, commerce, taxation and trade, with a view towards developing a comprehensive system of commercial law. However, as the legal system in China continues to develop, and many of these laws and regulations are relatively new and continue to evolve, these laws and regulations may be subject to interpretation. As other civil law countries, there is a limited volume of published court decisions, which may be cited for reference but are not binding on subsequent cases and have limited precedential value unless the Supreme People's Court otherwise provides. As these laws and regulations are continually evolving in response to changing economic and other conditions, we cannot foresee how these laws, rules and regulations will be interpreted and enforced, which may adversely affect the legal protections and remedies that are available to investors and us.

It may be difficult to effect service of process, enforce foreign judgments and arbitral awards against us or our Directors and senior management.

We are incorporated in the Cayman Islands. A significant number of our operating subsidiaries are incorporated in China. In addition, most of our Directors and senior management reside in China. A substantial amount of our assets and some of the assets of our management are located in China. As a result, it may be difficult or impracticable for you to effect service of process within Hong Kong upon us or these persons, to bring an action in Hong Kong against us or these individuals. Moreover, China does not have treaties with most of the other jurisdictions that provide for the reciprocal recognition and enforcement of judicial rulings and awards.

On July 14, 2006, the Supreme People's Court of China and Hong Kong entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排) ("**2006 Arrangement**"), which became effective on August 1, 2008. Pursuant to such arrangement, a party with a final judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case according to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in China, and vice versa. However, it is subject to the parties in the dispute agreeing to enter into a choice of court agreement in writing under the 2006 Arrangement.

On January 18, 2019, the Supreme People's Court of China and Hong Kong entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排) ("**2019 Arrangement**"), the commencement date of which shall be announced after the Supreme People's Court promulgates judicial interpretations and relevant procedures are completed in Hong Kong. The 2019 Arrangement will supersede the 2006 Arrangement and afford greater clarity and certainty for reciprocal recognition and enforcement of judgments in civil and commercial matters. The 2006 Arrangement will remain applicable to a "choice of court agreement in writing" entered into before the 2019 Arrangement taking effect. However, outcomes of any applications to recognize and enforce such judgments and arbitral awards in China will be subject to the PRC courts further adjudication in accordance with PRC laws, including the PRC civil procedure law.

Furthermore, an original action may only be brought in China against us or our Directors and senior management if the actions are not required to be arbitrated by PRC law and upon satisfaction of the conditions for commencing a cause of action pursuant to the PRC civil procedure law. As a result of the conditions set forth in the PRC civil procedure law, we cannot assure you whether investors will be able to bring an original action in China in this manner.

Laws and regulations over currency conversion and future fluctuation of Renminbi exchange rates could adversely affect our results of operations and financial condition, and may reduce the value of, and dividends payable on, our Shares in foreign currency terms.

The PRC government imposes laws and regulations on the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. Under our current corporate structure, our Company in the Cayman Islands relies on dividend payments from our PRC subsidiaries to fund any cash and financing requirements we may have. Under existing PRC foreign exchange regulations, payments of current account items, such as profit distributions and trade and service-related foreign exchange transactions, can be made in foreign currencies without the prior approval of SAFE, by complying with certain procedural requirements. Therefore, our PRC subsidiaries are able to pay dividends in foreign currencies to us without prior approval from SAFE, subject to the condition that the remittance of such dividends outside of the PRC complies with certain procedures under PRC foreign exchange regulations, such as the overseas investment registration by the beneficial owners of our Company who are PRC residents. However, approval from or registration with appropriate governmental authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses, such as the repayment of loans denominated in foreign currencies.

The PRC government may further regulate access to foreign currencies for current account transactions in the future. If the foreign exchange regulation system makes it difficult for us to obtain sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our shareholders. Further, there is no assurance that new regulations will not be promulgated in the future that would have the effect of further regulating the remittance of Renminbi into or out of China.

The value of Renminbi against the Hong Kong dollar, the U.S. dollar and other currencies fluctuates, is subject to change resulting from the PRC government's policies, and depends to a large extent on domestic and international economic and global political developments as well as supply and demand in the local market. It is difficult to predict how market forces or government policies may impact the exchange rate between the Renminbi and the Hong Kong dollar, the U.S. dollar or other currencies in the future.

The [**REDACTED**] from the [**REDACTED**] will be received in Hong Kong dollars. As a result, any appreciation of the Renminbi against the Hong Kong dollar may result in a decrease in the value of our [**REDACTED**] from the [**REDACTED**]. Conversely, any depreciation of the Renminbi may affect the value of, and any dividends payable on, the Shares in foreign currency terms. Further, we may not be able to find suitable instruments to reduce our foreign currency risk exposure at reasonable costs. All of these factors could adversely affect our business, results of operations and financial condition, and could reduce the value of, and dividends payable on, the Shares in foreign currency terms.

We may be classified as a PRC resident enterprise for PRC enterprise income tax purposes under the EIT Law, and our income may be subject to PRC withholding tax under the EIT Law.

Under the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得税法) ("**EIT Law**"), an enterprise established outside of the PRC with a "de facto management body" within China is considered a resident enterprise and will be subject to the enterprise income tax on its global income at the rate of 25%. The implementation rules ("**EIT Rules**") define the term "de facto management body" as the body that exercises full and substantial control over, and overall management of, the business, production,

personnel, accounts and properties of an enterprise. On April 22, 2009, the State Administration of Taxation (國家税務總局) ("**SAT**") issued a circular, known as Circular 82, which was last amended on December 29, 2017. Circular 82 provides certain specific criteria for determining whether the "de facto management body" of a PRC-controlled enterprise that is incorporated offshore is located in China. Although this circular only applies to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those with no single individual controller like us, the criteria set forth in the circular may reflect the SAT's general position on how the "de facto management body" test should be applied in determining the tax resident status of all offshore enterprises. According to Circular 82, an offshore incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be regarded as a PRC tax resident by virtue of having its "de facto management body" in China and will be subject to PRC enterprise income tax on its global income only if all of the following conditions are met: (1) the primary location of the day-to-day operational management is in China; (2) decisions relating to the enterprise's financial and human resource matters are made or are subject to approval by organizations or personnel in China; (3) the enterprise's primary assets, accounting books and records, company seal, and board and shareholder resolutions, are located or maintained in China; and (4) at least 50% of voting board members or senior executives habitually reside in China.

We believe none of our entities outside of China is a PRC resident enterprise for PRC tax purposes. However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities and we cannot be certain on how the tax authorities will interpret the term "de facto management body". As most of our management members are based in China, it remains unclear how the tax residency rule will apply to our case. If the PRC tax authorities determine that our Company or any of our subsidiaries outside of the PRC is a PRC resident enterprise for PRC enterprise income tax purposes, our Company or such subsidiary could be subject to PRC tax at a rate of 25% on its worldwide income, which could materially reduce our net profit. In addition, we will also be subject to PRC enterprise income tax reporting obligations. Furthermore, if the PRC tax authorities determine that we are a PRC resident enterprise for enterprise income tax purposes, gains realized on the sale or other disposition of our ordinary shares may be subject to PRC tax, at a rate of 10% in the case of non-PRC enterprises or 20% in the case of non-PRC individuals (in each case, subject to the provisions of any applicable tax treaty), if such gains are deemed to be from PRC sources. There is possibility that non-PRC shareholders of our Company would not be able to claim the benefits of any tax treaties between their country of tax residence and the PRC in the event that we are treated as a PRC resident enterprise. Any such tax may reduce the returns on your [**REDACTED**] in our Shares.

Our potential growth through acquisitions in China is subject to the procedures established under China's M&A rules, laws and certain other PRC regulations, which could make it more difficult for us to complete such acquisitions.

On August 8, 2006, MOFCOM, State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會), SAT, the State Administration for Industry and Commerce of the PRC (國家工商行政管理總局), the CSRC and SAFE jointly issued the Regulations for Mergers with and Acquisition of Domestic Enterprises by Foreign Investors (關於外國投資者併購境內企業的規定) ("**M&A Rules**"), which was effective on September 8, 2006 and amended in June 2009. Merger and acquisition activities by foreign investors are subject to procedures and requirements under M&A Rules, laws and other regulations and rules concerning M&A, including requirements in some instances that MOFCOM be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise, which could potentially require a foreign investor to spend more time navigating through the review process. In addition, the Provisions of the Ministry of Commerce

on the Implementation of the Safety Review System for Merger and Acquisition of Domestic Enterprises by Foreign Investors (商務部實施外國投資者併購境內企業安全審查制度的規定) issued by MOFCOM that became effective in September 2011 specify that mergers and acquisitions by foreign investors that raise "national defense and security" concerns and mergers and acquisitions through which foreign investors may acquire de facto control over domestic enterprises that raise "national security" concerns are subject to strict review by MOFCOM, and the rules prohibit any activities attempting to bypass a security review, including by structuring the transaction through a proxy or contractual control arrangement. Moreover, the Anti-Monopoly Law promulgated by the Standing Committee of the National People's Congress of China and effective in 2008, as most recently amended on June 24, 2022 and effective from August 1, 2022, requires that transactions which are deemed concentrations and involve parties with specified turnover thresholds must be cleared by the relevant anti-monopoly authority before they can be completed. It also requires business operators not to abuse data, algorithms, technology, capital advantages and platform rules to exclude or limit competition.

In the future, we may grow our business by acquiring complementary businesses. Complying with the requirements of the abovementioned regulations and other relevant rules to complete such transactions could be time-consuming, and any required approval processes, including obtaining approval from MOFCOM or its local counterparts may affect our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

PRC regulation of loans to and direct investments in PRC entities by offshore holding companies may make it difficult for us to [REDACTED] of the [REDACTED] to make loan or additional capital contributions to our PRC subsidiaries, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

We are an offshore holding company conducting our operations in China through our PRC subsidiaries. We may make loans to our PRC subsidiaries, subject to the administrative procedures and limitation of amount, or we may make additional capital contributions to our PRC subsidiaries in China.

Any funds we transfer to our PRC subsidiaries, either as a shareholder loan or as an increase in registered capital, are subject to reporting with or approval by or registration with the relevant governmental authorities in China. According to the relevant PRC regulations on foreign-invested enterprises in China, capital contributions to our PRC subsidiaries are subject to the requirement of making necessary filings or reports in the Foreign Investment Comprehensive Management Information System, and registration with a local bank authorized by SAFE and also registration with the local branch of State Administration for Market Regulation. In addition, any foreign loan procured by our PRC subsidiaries is required to be registered with SAFE or its local branches. Also, any medium- or long-term loan exceeding one year to be provided by us must be recorded and registered by the National Development and Reform Committee. Our PRC subsidiaries which are foreign-invested enterprises cannot procure loans exceeding the statutory limits, which is either in the difference between the registered capital and the total investment amount of such foreign-invested enterprise or a multiple of the net assets of such foreign-invested enterprise in the previous year. Our PRC subsidiaries which are domestic enterprises cannot procure loans exceeding the multiples of the net assets of such enterprises in the previous year. We may not be able to complete such recording, filing or registrations on a timely basis, if at all, with respect to future capital contributions or foreign loans by us directly to our PRC subsidiaries. If we fail to complete such recording, filing or registrations, our ability to use the [**REDACTED**] of the [**REDACTED**] and to capitalize our PRC operations may be negatively affected, which could adversely affect our liquidity and our ability to fund and expand our business.

SAFE issued the Circular on the Reform of the Management Method for the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises (國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知) ("**Circular 19**") which took effect on June 1, 2015 and amended on December 30, 2019 and March 23, 2023. SAFE further issued the Circular of the State Administration of Foreign Exchange on Reform and Standardization of the Management Policy of the Settlement of Capital Projects (國家外匯管理局關於改革和規範資本項目結匯管理政策的通知) ("**Circular 16**"), effective on June 9, 2016, which, among other things, amend certain provisions of Circular 19. The Circular 19 and the Circular 16 allow for the use of Renminbi converted from the foreign currency-denominated capital for equity investments in the PRC, provided that such usage shall fall into the scope of business of the foreign invested enterprise, which will be regarded as the reinvestment of foreign-invested enterprise. In addition, SAFE promulgated the Circular on Further Facilitating the Convenience of Cross-border Trade and Investment (國家外匯管理局關於進一步促進跨境貿易投資便利化的通知) ("**SAFE Circular 28**") on October 23, 2019, which took effect on the same day. SAFE Circular 28, subject to certain conditions, allows foreign-invested enterprises whose business scope does not include investment, or non-investment foreign-invested enterprises, to use their capital funds to make equity investments in China. As of the Latest Practicable Date, its interpretation and implementation in practice continue to evolve. Whether SAFE will permit such capital funds to be used for equity investments in the PRC is subject to SAFE's case-by-case determination in practice. The Circular 19, the Circular 16 and SAFE Circular 28 may affect our ability to transfer to and use in China the [**REDACTED**] from the [**REDACTED**], which may adversely affect our business, results of operations and financial condition.

Dividends payable by us to our foreign investors and gains on the sale of our Shares may become subject to withholding taxes under PRC tax laws.

Under the PRC EIT Law and the EIT Rules, its implementation regulations, subject to any applicable tax treaty or similar arrangement between the PRC and your jurisdiction of residence that provides otherwise, we may be deemed as a PRC resident enterprise by the PRC tax authorities for tax purpose. PRC income tax at the rate of 10% is applicable to dividends payable by a PRC "resident enterprise" to investors that are "non-resident enterprises" (i.e., those enterprises that do not have an establishment or place of business in China, or those that have such an establishment or place of business but the relevant income of which is not effectively connected with the establishment or place of business) to the extent such dividends have their source within China. Similarly, any gain realized on the transfer of shares by such enterprises is also subject to 10% PRC income tax if such gain is regarded as income derived from sources within China. If the dividends we pay to our shareholders are regarded as income derived from sources within China, we may be required to withhold a 10% PRC withholding tax for the dividends we pay to our investors who are non-PRC enterprise shareholders.

Under PRC Individual Income Tax Law (中華人民共和國個人所得税法) and its implementation rules, dividends from sources within China paid to foreign individual investors who are not PRC residents and gains from PRC sources realized by such investors on the transfer of share are generally subject to PRC income tax at a rate of 20% for individuals. Any PRC tax may be reduced or exempted under applicable tax treaties or similar arrangements.

If we are treated as a PRC resident enterprise, dividends we pay with respect to our Shares, or the gain realized from the transfer of our Shares, may be treated as income derived from sources within China and as a result be subject to the PRC income taxes described above. See "— We may be classified as a PRC resident enterprise for PRC enterprise income tax purposes under the EIT Law, and our income may be subject to PRC withholding tax under the EIT Law." However, shareholders who are not PRC tax residents and seek to enjoy preferential tax rates under relevant tax treaties may apply to the PRC tax authorities to be recognized as eligible for such benefits in accordance with the Announcement of State Taxation Administration on Promulgation of the Administrative Measures on Non-resident Taxpayers Enjoying Treaty Benefits (國家税務總局關於發佈《非居民納税人享受協定待遇管理辦法》的公告), which was issued on October 14, 2019 and took effect on January 1, 2020. If determined to be ineligible for the applicable tax treaty benefits, gains obtained from sales of our Shares and dividends on our Shares paid to such Shareholders would subject to higher PRC tax rates. In such cases, the value of your [**REDACTED**] in our Shares may be materially affected by the unfavorable tax treatment.

The regulations over indirect transfers of PRC assets by the PRC tax authorities may have a negative impact on our business operations, our acquisition or restructuring strategy or the value of your [REDACTED] in us.

Pursuant to the Notice on Strengthening the Administration on Enterprise Income Tax for Non-resident Enterprise Equity Transfer (關於加強非居民企業股權轉讓所得企業所得税管理的通知) ("**SAT Circular 698**") issued by the SAT in December 2009 with retroactive effect from January 1, 2008, where a non-resident enterprise transfers the equity interests of a PRC resident enterprise indirectly by disposition of the equity interests of an overseas non-public holding company (an "**Indirect Transfer**"), and such overseas holding company is located in a tax jurisdiction that (1) has an effective tax rate of less than 12.5% or (2) does not impose income tax on foreign income of its residents, the non-resident enterprise, being the transferor, must report such Indirect Transfer to the competent tax authority of the PRC resident enterprise. Using a "substance over form" principle, the PRC tax authority may disregard the existence of the overseas holding company if it lacks a reasonable commercial purpose and was established for the purpose of reducing, avoiding or deferring PRC tax. As a result, gains derived from such Indirect Transfer may be subject to PRC withholding tax at a rate of up to 10%.

On February 3, 2015, the SAT issued a Public Notice Regarding Certain Corporate Income Tax Matters on Indirect Transfer of Properties by Non-Tax Resident Enterprises (關於非居民企業間接轉讓財產企業所得税若干問題的公告) ("**SAT Public Notice 7**"). SAT Public Notice 7 supersedes the rules with respect to the Indirect Transfer under SAT Circular 698, but does not touch upon the other provisions of SAT Circular 698. SAT Public Notice 7 has introduced a new tax regime that is significantly different from the previous one under SAT Circular 698. SAT Public Notice 7 extends its tax jurisdiction to not only Indirect Transfers set forth under SAT Circular 698 but also transactions involving transfer of other taxable assets through offshore transfer of a foreign intermediate holding company. In addition, SAT Public Notice 7 provides clearer criteria than SAT Circular 698 for assessment of reasonable commercial purposes and has introduced safe harbors for internal group restructurings and the purchase and sale of equity through a public securities market. SAT Public Notice 7 also brings challenges to both foreign transferor and transferee (or other person who is obligated to pay for the transfer) of taxable assets. Where a non-resident enterprise transfers taxable asset indirectly by disposing of the equity interests of an overseas holding company, which is an Indirect Transfer, the non-resident enterprise as either transferor or transferee, or the PRC entity that directly owns the taxable assets, may report such Indirect Transfer to the relevant tax authority. Using a "substance over form" principle, the PRC tax authority may disregard the existence of the overseas holding company if it lacks a reasonable commercial purpose and was established for the purpose of reducing, avoiding or deferring PRC tax. As a result, gains derived from such Indirect Transfer may be subject to PRC enterprise income tax, and the transferee or other person who is obligated to pay

for the transfer is obligated to withhold the applicable taxes, currently at a rate of 10% for the transfer of equity interests in a PRC resident enterprise. Both the transferor and the transferee may be subject to penalties under PRC tax laws if the transferee fails to withhold the taxes and the transferor fails to pay the taxes.

On October 17, 2017, SAT issued a Public Notice of SAT on Issues Concerning the Withholding of Non-resident Enterprise Income Tax at Source (關於非居民企業所得税源泉扣繳有關問題的公告) ("**SAT Public Notice 37**"), which, among others, repeals the Circular 698 on December 1, 2017. SAT Public Notice 37 further details and clarifies the tax withholding methods in respect of income of non-resident enterprises under Circular 698, and certain rules stipulated in SAT Public Notice 7 are replaced by SAT Public Notice 37. Where the non-resident enterprise fails to declare the tax payable pursuant to Article 39 of the Enterprise Income Tax, the tax authority may order it to pay the tax due within required time limits, and the non-resident enterprise shall declare and pay the tax payable within such time limits specified by the tax authority; however, if the non-resident enterprise voluntarily declares and pays the tax payable before the tax authority orders it to do so within required time limits, it shall be deemed that such enterprise has paid the tax in time.

Different interpretations remain as to the application of SAT Public Notice 7 and SAT Public Notice 37. For example, while the term "Indirect Transfer" is not clearly defined, it is understood that the relevant PRC tax authorities have jurisdiction regarding requests for information over a wide range of foreign entities having no direct contact with the PRC. Moreover, the relevant authority has not yet promulgated any formal provisions or made any formal declaration as to the process and format for reporting an Indirect Transfer to the competent tax authority of the relevant PRC resident enterprise. In addition, there are no formal declarations with regard to how to determine whether a foreign investor has adopted an abusive arrangement in order to reduce, avoid or defer PRC tax. SAT Public Notice 7 and SAT Public Notice 37 may be determined by the tax authorities to be applicable to previous investments by non-resident investors in our Company, if any of such transactions were determined by the tax authorities to lack reasonable commercial purpose. As a result, we and our existing non-resident investors may become at risk of being taxed under SAT Public Notice 7 and SAT Public Notice 37 and may be required to expend valuable resources to comply with SAT Public Notice 7 and SAT Public Notice 37 or to establish that we should not be taxed under SAT Public Notice 7 and SAT Public Notice 37, which may adversely affect our results of operations and financial condition or such non-resident investors' investments in us. We may conduct acquisitions involving changes in corporate structures, and historically we surrendered Shares and reissued to our current shareholders. We cannot assure you that the PRC tax authorities will not, adjust any capital gains and impose tax return filing obligations on us or require us to provide assistance for the investigation of PRC tax authorities with respect thereto. Any PRC tax imposed on a transfer of our Shares or any adjustment of such gains would cause us to incur additional costs and may affect the value of your [**REDACTED**] in us.

RISKS RELATING TO THE [REDACTED]

There has been no prior public market for our Shares, and the liquidity and market price of our Shares may be volatile.

Prior to the [**REDACTED**], there has been no public market for our Shares. The [**REDACTED**] range for our Shares was the result of negotiations between us and the [**REDACTED**], and the [**REDACTED**] may differ significantly from the market price for our Shares following the [**REDACTED**]. We have applied for [**REDACTED**] of, and permission to [**REDACTED**], our Shares on the Stock Exchange. A [**REDACTED**] on the Stock Exchange, however, does not guarantee that an active and liquid trading market for our Shares will develop, or if it does develop, that it will be sustained

following the [**REDACTED**] or that the market price of our Shares will not decline following the [**REDACTED**]. Furthermore, the market price and trading volume of our Shares may be volatile. The following factors may affect the trading volume and market price of our Shares:

- actual or anticipated fluctuations in our operating performance and revenue;
- news regarding recruitment or departure of key personnel by us or our competitors;
- announcements of competitive developments, acquisitions or strategic alliances in our industry;
- potential litigation or regulatory investigations;
- general market conditions or other developments affecting us or our industry;
- the operating and stock price performance of other companies and industries, and other events or factors beyond our control; and
- the release of lock-up or other transfer restrictions on our outstanding Shares or sales or perceived sales of Shares by us or other Shareholders.

Moreover, the capital market has from time to time experienced significant price and trading volume fluctuations that were unrelated or not directly related to the operating performance of the underlying companies in the market. These broad market and industry fluctuations may have a material and adverse effect on the market price and trading volume of our Shares.

An active and liquid [REDACTED] market for our Shares may not develop.

Prior to the [**REDACTED**], our Shares were not traded on any other market. We cannot assure you that an active and liquid [**REDACTED**] market for our Shares will be developed or be maintained after the [**REDACTED**]. Liquid and active [**REDACTED**] markets usually result in less price volatility and more efficiency in carrying out investors' purchase and sale orders. The market price of our Shares could vary significantly as a result of a number of factors, some of which are beyond our control. In the event of a drop in the market price of our Shares, you could lose a substantial part or all of your [**REDACTED**] in our Shares.

Since there will be a gap of several days between [REDACTED] and [REDACTED] of our Shares, holders of our Shares are subject to the risk that the price of our Shares could fall during the period before [REDACTED] of our Shares begins.

The [**REDACTED**] of our Shares is expected to be determined on the [**REDACTED**]. However, our Shares will not commence [**REDACTED**] on the Stock Exchange until several Hong Kong business days after the [**REDACTED**]. As a result, [**REDACTED**] may not be able to [**REDACTED**] or otherwise [**REDACTED**] in our Shares during that period. Accordingly, holders of our Shares are subject to the risk that the price of our Shares could fall before [**REDACTED**] begins, as a result of unfavorable market conditions or other adverse developments that could occur between the time of [**REDACTED**] and the time [**REDACTED**] begins.

Because the [REDACTED] price of our Shares is substantially higher than the consolidated net tangible assets book value per Share, purchasers of our Shares in the [REDACTED] may experience immediate dilution upon such purchases.

As the [**REDACTED**] of our Shares is higher than the consolidated net tangible assets per Share immediately prior to the [**REDACTED**], purchasers of our Shares in the [**REDACTED**] will experience an immediate dilution in [**REDACTED**] adjusted consolidated net tangible assets. Our existing Shareholders will receive an increase in the [**REDACTED**] adjusted consolidated net tangible asset value per Share of their shares. In addition, holders of our Shares may experience further dilution of their interest if the [**REDACTED**] exercise the [**REDACTED**] or if we issue additional shares in the future to raise additional capital.

Future sales or perceived sales of substantial amounts of our securities in the public market could have a material and adverse effect on the prevailing market price of our Shares and our ability to raise additional capital in the future, or may result in dilution of your shareholdings.

Future sales of substantial amounts of our Shares or other securities relating to our Shares in the public market, or the issuance of new Shares or other securities relating to our Shares, or the perception that such sales or issuances may occur could all cause a decline in the market price of our Shares. Future sales, or perceived sales, of substantial amounts of our securities or other securities relating to our Shares, including part of any future [**REDACTED**], could also materially and adversely affect the prevailing market price of our Shares and our ability to raise capital in the future at a time and at a price which we deem appropriate.

We may not be able to pay any dividends on our Shares.

We cannot guarantee when and in what form dividends will be paid on our Shares following the [**REDACTED**]. The declaration of dividends is proposed by the Board and is based on, and limited by, various factors, including without limitation, our business and financial performance, capital and regulatory requirements, and general business conditions. We may not have sufficient or any profits to enable us to make dividend distributions to our Shareholders in the future, even if our financial statements indicate that our operations have been profitable. For details, see "Financial Information — Dividend."

If securities or industry analysts do not publish research reports about our business, or if they adversely change their recommendations regarding our Shares, the market price and trading volume of our Shares may decline.

The trading market of our Shares may be influenced by research reports that industry or securities analysts publish about us or our business. If one or more analysts who cover us downgrade our Shares or publish negative opinions about us, the market price of our Shares would likely decline regardless of the accuracy of the information. If one or more of these analysts cease coverage of us or fail to regularly publish reports on us, we could lose visibility in the financial markets, which, in turn, could cause the market price or trading volume of our Shares to decline.

Forward-looking statements contained in this document are subject to risks and uncertainties.

This document contains forward-looking statements with respect to our business strategies, operating efficiencies, competitive positions, and growth opportunities for existing operations, plans and objectives of management, certain [**REDACTED**] information and other matters.

The words "anticipate," "believe," "could," "potential," "continue," "expect," "intend," "may," "plan," "seek," "will," "would," "should" and the negative of these terms and other similar expressions identify a number of these forward-looking statements. These forward-looking statements, including, among others, those relating to our future business prospects, capital expenditure, cash flows, working capital, liquidity and capital resources are necessary estimates reflecting the best judgment of our Directors and management and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. As a result, these forward-looking statements should be considered in light of various important factors, including those set out in "Risk Factors" in this document. Accordingly, such statements are not a guarantee of future performance and you should not place undue reliance on any forward-looking information. All forward-looking statements in this document are qualified by reference to this cautionary statement.

Certain facts, forecasts and statistics contained in this document are derived from various official or third-party sources and may not be accurate, reliable, complete or up to date.

We have derived certain information and statistics in this document, particularly the section headed "Industry Overview," the report prepared by Frost & Sullivan, which was commissioned by us, and from various official government publications and other publicly available publications provided by the PRC government, industry associations, independent research institutes and other third-party sources. The information from official government sources has not been independently verified by us, the [**REDACTED**], the [**REDACTED**], the [**REDACTED**], the [**REDACTED**], any of their respective directors and advisers, or any other persons or parties involved in the [**REDACTED**], and, therefore, we cannot assure you as to the accuracy and reliability of such information and statistics, which may not be consistent with other information compiled inside or outside the PRC. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be inaccurate or may not be comparable with statistics produced for other economies, and you should not place undue reliance on them. Furthermore, we cannot assure you that they are stated or compiled on the same basis, or with the same degree of accuracy, as similar statistics presented elsewhere. In all cases, you should consider carefully how much weight or importance you should attach to or place on such information or statistics.

You should read the entire document carefully and should not rely on any information contained in press articles or other media regarding us and the [REDACTED].

We strongly caution you not to rely on any information contained in press articles or other media regarding us and the [**REDACTED**]. Prior to the publication of this document, there may have been press and media coverage regarding us and the [**REDACTED**]. Such press and media coverage may include references to certain information that does not appear in this document, including certain operating and financial information and projections, valuations and other information. We have not authorized the disclosure of any such information in the press or media and do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information or publication. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this document, we disclaim responsibility for it and you should not rely on such information.

In preparation for the [**REDACTED**], we have sought the following waivers from strict compliance with the relevant provisions of the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

MANAGEMENT PRESENCE

Rule 8.12 of the Listing Rules requires that a new applicant applying for a primary [**REDACTED**] on the Stock Exchange must have a sufficient management presence in Hong Kong. This normally means that at least two of its executive directors must be ordinarily resident in Hong Kong. The business operations of our Group are located in China. Due to the business requirements of our Group, none of the executive Directors (save for Mr. Xiaojie Xi) has been, is or will be based in Hong Kong. Our Company considers that it would be impracticable and commercially infeasible to appoint two Hong Kong residents as executive Directors or to relocate the existing executive Directors to Hong Kong considering that the operations of our Group are based outside of Hong Kong. Accordingly, we have applied to the Stock Exchange for [, and the Stock Exchange has granted,] a waiver from strict compliance with the requirement of Rule 8.12 of the Listing Rules. In order to maintain effective communication with the Stock Exchange, we will adopt the following measures:

(a) pursuant to Rule 3.05 of the Listing Rules, we have appointed two authorized representatives who will act as our principal communication channel with the Stock Exchange and will ensure that we comply with the Listing Rules at all times. These two authorized representatives appointed are Mr. Jerry Jingwei Zhang and Mr. Xiaojie Xi. Mr. Xiaojie Xi is ordinarily resident in Hong Kong. Each of the authorized representatives will be available to meet with the Stock Exchange within a reasonable time frame upon the request of the Stock Exchange and will be readily contactable by telephone, e-mail and fax. Each of the two authorized representatives has been duly authorized to communicate on our Company's behalf with the Stock Exchange. Our Company will inform the Stock Exchange promptly in respect of any change in its authorized representatives;

(b) pursuant to Rule 3.20 of the Listing Rules, each Director will provide his/her contact details, including mobile phone numbers, office phone numbers, residential phone numbers, e-mail addresses and facsimile numbers to the Stock Exchange and the authorized representatives. This will ensure that the Stock Exchange and the authorized representatives should have means for contacting all Directors promptly at all times as and when required;

(c) all our executive Directors, non-executive Directors and independent non-executive Directors who are not ordinarily resident in Hong Kong have confirmed that they possess or can apply for valid travel documents to visit Hong Kong and will be able to meet with relevant members of the Stock Exchange in Hong Kong upon reasonable notice;

(d) pursuant to Rule 3A.19 of the Listing Rules, we have appointed Somerley Capital Limited as our compliance advisor (the "**Compliance Advisor**"), who will act as our additional communication channel with the Stock Exchange and will be available to respond to enquiries from the Stock Exchange. The Compliance Advisor will provide us with professional advice on ongoing compliance with the Listing Rules. We will ensure that the Compliance Advisor has prompt access to our authorized representatives and Directors. In turn, they will provide the Compliance Advisor with such information and assistance as the Compliance Advisor may need

or may reasonably request in connection with the performance of the Compliance Advisor's duties. The Compliance Advisor will also provide advice to us when consulted by us in compliance with Rule 3A.23 of the Listing Rules; and

(e) meetings between the Stock Exchange and our Directors can be arranged through the authorized representatives or the Compliance Advisor, or directly with our Directors within a reasonable time frame. We will inform the Stock Exchange as soon as practicable in respect of any change in the authorized representatives and/or the Compliance Advisor in accordance with the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

Our Group has entered into certain transactions which would constitute non-exempt continuing connected transactions under Chapter 14A of the Listing Rules after the [**REDACTED**]. Further particulars about such transactions together with the application for a waiver from strict compliance with the relevant requirements under Chapter 14A of the Listing Rules are set out in "Connected Transactions" in this document.

WAIVER AND EXEMPTION IN RELATION TO [REDACTED] SHARE OPTION SCHEMES

The Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance prescribes certain disclosure requirements in relation to the share options granted by our Company (the "**Share Option Disclosure Requirements**"):

(a) pursuant to Rule 17.02(1)(b) of the Listing Rules, a new [**REDACTED**] applicant must disclose in the document full details of all outstanding options and their potential dilution effect on the shareholdings upon [**REDACTED**] as well as the impact on the earnings per share arising from the exercise of such outstanding options under the [**REDACTED**] Share Option Schemes;

(b) paragraph 27 of Appendix 1A to the Listing Rules also requires the disclosure of particulars of any capital of any member of our Group which is under option, or agreed conditionally or unconditionally to be put under option, including the consideration for which the option was or will be granted and the price and duration of the option, and the name and address of the grantees; and

(c) further, under paragraph 10 of Part I of the Third Schedule to Companies (Winding Up and Miscellaneous Provisions) Ordinance, this document is required to include details of the number, description and amount of any Shares which any person has, or is entitled to be given, an option to subscribe for, together with certain particulars of each option, namely the period during which it is exercisable, the price to be paid for the Shares subscribed for under it, the consideration (if any) given or to be given for it or for the right to it and the name and address of the person to whom it was given.

As of August 24, 2023, our Company has granted outstanding options under the [**REDACTED**] Share Option Schemes to 278 grantees (including Directors, members of senior management of our Company and other employees of our Group) to subscribe for an aggregate of [**REDACTED**] Shares. As of August 24, 2023, among the outstanding options, [**REDACTED**] were held by three Directors, [**REDACTED**] were held by two members of senior management and [**REDACTED**] were held by 273 employees of our Group (who are not Directors, members of senior management or connected persons of our Company). The Shares underlying the granted options represent approximately [**REDACTED**]% of the total number of issued and outstanding Shares immediately after completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised and no further Shares are issued under the [**REDACTED**] Share Option Schemes). No further options will be granted pursuant to the [**REDACTED**] Share Option Schemes on or after the [**REDACTED**]. For further details of our [**REDACTED**] Share Option Schemes, see the section headed "Statutory and General Information — E. [**REDACTED**] Share Option Schemes" in Appendix IV in this document.

We have applied to (i) the Stock Exchange for a waiver from strict compliance with the requirements under Rule 17.02(1)(b) of the Listing Rules and paragraph 27 of Appendix 1A to the Listing Rules and (ii) the SFC for an exemption from strict compliance with paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding up and Miscellaneous Provisions) Ordinance regarding certain options granted under the [**REDACTED**] Share Option Schemes on the following grounds:

(a) as of August 24, 2023, we have granted outstanding options to a total of 278 grantees under the [**REDACTED**] Share Option Schemes to acquire an aggregate of [**REDACTED**] Shares, representing approximately [**REDACTED**]% of the total number of Shares in issue immediately after completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised and no further Shares are issued under the [**REDACTED**] Share Option Schemes). The grantees under the [**REDACTED**] Share Option Schemes include three Directors, two members of senior management and 273 employees of our Group (who are not Directors, members of senior management or connected persons of our Company);

(b) our Directors consider that it would be unduly burdensome to disclose in this document full details of all the options granted by us to each of the grantees, which would significantly increase the cost and time required for information compilation and document preparation for strict compliance with such disclosure requirements. For example, we would need to collect and verify the addresses of over 250 grantees to meet the disclosure requirement. Further, the disclosure of the personal details of each grantee, including their names, addresses and the number of options granted, may require obtaining consent from the grantees in order to comply with personal data privacy laws and principles and it would be unduly burdensome for our Company to obtain such consents given the number of grantees;

(c) material information on the options has been disclosed in this document to provide prospective [**REDACTED**] with sufficient information to make an informed assessment of the potential dilutive effect and impact on earnings per Share of the options in making their [**REDACTED**] decision, and such information includes:

(i) a summary of the latest terms of the [**REDACTED**] Share Option Schemes;

(ii) the aggregate number of Shares subject to the options and the percentage of our Shares of which such number represents;

(iii) the dilutive effect and the impact on earnings per Share upon full exercise of the options immediately following completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised and no further Shares are issued under the [**REDACTED**] Share Option Schemes);

(iv) full details of the options granted to Directors, members of senior management and connected persons (if any) of our Company, on an individual basis, under the [**REDACTED**] Share Option Schemes are disclosed in this document, and such details include all the particulars required under Rule 17.02(1)(b) of the Listing Rules, paragraph 27 of Appendix 1A to the Listing Rules and paragraph 10 of Part 1 of the Third Schedule to the Companies Ordinance;

(v) with respect to the options granted to other grantees (other than those referred to in (iv) above) under the [**REDACTED**] Share Option Schemes, disclosure are made on an aggregate basis, categorized into lots based on the number of Shares underlying each individual grantees, being (1) 1-500,000; (2) 500,001-1,000,000; (3) 1,000,001-2,000,000; and (4) 2,000,001-3,000,000 for each lots of Share, the following details are disclosed in this document, including (1) the aggregate number of such grantees and the number of Shares subject to the options; (2) the consideration paid for the grant of the options; and (3) the exercise period and the exercise price for the options;

(vi) the particulars of the waiver and exemption granted by the Stock Exchange and the SFC, respectively; and

(vii) a full list of all the grantees under the [**REDACTED**] Share Option Schemes, containing all the particulars as required under the applicable Share Option Disclosure Requirements be made available for public inspection in accordance with the section headed "Documents Delivered to the Registrar of Companies in Hong Kong and on Display" in Appendix V in this document.

the above disclosure is consistent with the conditions ordinarily expected by the Stock Exchange in similar circumstances as set out in Guidance Letter HKEX-GL11-09 issued in July 2009 and updated in March 2014 by the Stock Exchange.

(d) the 273 grantees who are not Directors, members of senior management or connected persons (if any) of our Company, have been granted options under the [**REDACTED**] Share Option Schemes to acquire an aggregate of [**REDACTED**] Shares, which is not material in the circumstances of our Company, and the exercise in full of such options will not cause any material adverse change in the financial position of our Company; and

(e) our Directors consider that non-compliance with the above disclosure requirements would not prevent our Company from providing potential [**REDACTED**] with sufficient information for an informed assessment of the activities, assets, liabilities, financial position, management and prospects of our Group. Strict adherence to the disclosure requirements, including to disclose the names, addresses, and entitlements on an individual basis of over 250 grantees without reflecting the materiality of the information does not provide any additional meaningful information to the [**REDACTED**].

In light of the above, our Directors are of the view that the grant of the waiver and exemption sought under this application and the non-disclosure of the required information will not prejudice the interests of the [**REDACTED**].

The Stock Exchange [has granted] to our Company a waiver from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of the Listing Rules and paragraph 27 of Appendix 1A to the Listing Rules with respect to the options granted under the [**REDACTED**] Share Option Schemes on the condition that:

(a) on an individual basis, full details of the options granted under the [**REDACTED**] Share Option Schemes to each of the Directors, members of senior management and connected persons (if any) of our Company are disclosed in the section headed "Statutory and General Information — E. [**REDACTED**] Share Option Schemes" in Appendix IV in this document as required under Rule 17.02(1)(b) of, and paragraph 27 of Appendix 1A to, the Listing Rules, and paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance;

(b) in respect of the options granted under the [**REDACTED**] Share Option Schemes to other grantees (other than those set out in (a) above), disclosure are made on an aggregate basis, categorized into lots based on the number of Shares underlying each individual grantees, being (1) 1-500,000; (2) 500,001-1,000,000; (3) 1,000,001-2,000,000; and (4) 2,000,001-3,000,000 for each lots of Share, the following details are disclosed in this document, including (1) the aggregate number of the grantees other than those set out in (a) above and the number of Shares subject to the options granted to them under the [**REDACTED**] Share Option Schemes; (2) the consideration paid for the grant of the options under the [**REDACTED**] Share Option Schemes; and (3) the exercise period and the exercise price for the options granted under the [**REDACTED**] Share Option Schemes;

(c) the aggregate number of Shares underlying the outstanding options granted under the [**REDACTED**] Share Option Schemes and the percentage of our Company's total issued share capital represented by such number of Shares as of the Latest Practicable Date are disclosed in this document;

(d) the dilutive effect and impact on earnings per Share upon the full exercise of the options under the [**REDACTED**] Share Option Schemes are disclosed in the section headed "Statutory and General Information — E. [**REDACTED**] Share Option Schemes" in Appendix IV in this document;

(e) a summary of the major terms of the [**REDACTED**] Share Option Schemes are disclosed in the section headed "Statutory and General Information — E. [**REDACTED**] Share Option Schemes" in Appendix IV in this document;

(f) the particulars of this waiver are disclosed in this document;

(g) the grant of certificate of exemption under the Companies (Winding Up and Miscellaneous Provisions) Ordinance from the SFC exempting our Company from the disclosure requirements provided in paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance; and

(h) a full list of all the grantees under the [**REDACTED**] Share Option Schemes, containing all the particulars as required under the applicable Share Option Disclosure Requirements will be made available for public inspection in accordance with the section headed "Documents Delivered to the Registrar of Companies in Hong Kong and on Display" in Appendix V to this document.

The SFC [has agreed to grant] to our Company the certificate of exemption under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance with respect to the options granted under the [**REDACTED**] Share Option Schemes exempting our Company from strict compliance with paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance on the conditions that:

(a) full details of the options under the [**REDACTED**] Share Option Schemes granted to each of the Directors, members of senior management and connected persons (if any) of our Company are disclosed in the section headed "Statutory and General Information — E. [**REDACTED**] Share Option Schemes" in Appendix IV in this document as required by paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance;

(b) in respect of the options granted under the [**REDACTED**] Share Option Schemes to grantees (other than those referred to in (a) above), disclosure are made on an aggregate basis, categorized into lots based on the number of Shares underlying each individual grantees, being (1) 1-500,000; (2) 500,001-1,000,000; (3) 1,000,001-2,000,000; and (4) 2,000,001-3,000,000 for each lots of Share, the following details are disclosed in this document: (1) the aggregate number of the grantees and the number of Shares subject to the options granted to them under the [**REDACTED**] Share Option Schemes; (2) the consideration paid for the grant of the options under the [**REDACTED**] Share Option Schemes; and (3) the exercise period and the exercise price for the options granted under the [**REDACTED**] Share Option Schemes;

(c) a full list of all the grantees under the [**REDACTED**] Share Option Schemes, containing all the particulars as required under the applicable Share Option Disclosure Requirements will be made available for public inspection in accordance with the section headed "Documents Delivered to the Registrar of Companies in Hong Kong and on Display" in Appendix V to this document; and

(d) the particulars of this exemption are disclosed in this document and that this document will be issued on or before [**REDACTED**].

Further details of the [**REDACTED**] Share Option Schemes are set forth in the section headed "Statutory and General Information — E. [**REDACTED**] Share Option Schemes" in Appendix IV in this document.

[**REDACTED**]

WAIVERS AND EXEMPTION FROM STRICT COMPLIANCE WITH THE LISTING RULES AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

DIRECTORS

Name	Address	Nationality
Executive Directors		
Dr. Jincai Li	Room 601 No. 49, Lane 18 Qing Tong Road Pudong New District Shanghai China	American
Mr. Jerry Jingwei Zhang	Room 601, 6/F No. 19, Lane 1399 Huifeng West Road Nanqiao Town, Fengxian District Shanghai China	American
Mr. Xiaojie Xi	Flat A, 36/F, Block 3 Island Harborview 11 Hoi Fai Road, Tai Kok Tsui Kowloon Hong Kong	Chinese
Non-Executive Directors		
Dr. Zhisheng Chen	10-402, Shengyuan Binhu District Wuxi City Jiangsu Province China	Chinese
Dr. Weichang Zhou	Room 802, No. 11, Lane 1777, Langu Road Pudong New District Shanghai China	American
Ms. Ming Shi	No. 42, Lane 951 Fanglin Road Nanxiang town, Jiading District Shanghai China	Chinese
Independent Non-Executive Directors		
Dr. Ulf Grawunder	Rütenenstrasse 41 6375 Beckenried Switzerland	German
Mr. Stewart John Hen	25 North Moore Street 15A New York, NY 10013 United States	American
Mr. Hao Zhou	32 Yunnan Drive 1 Singapore	Singaporean

Further information about our Directors and other senior management members are set out in "Directors and Senior Management."

PARTIES INVOLVED IN THE [REDACTED]

Joint Sponsors

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Level 46, International Commerce Centre
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Goldman Sachs (Asia) L.L.C.
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J.P. Morgan Securities (Far East) Limited
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8 Connaught Road Central
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[**REDACTED**]

[REDACTED]

Legal Advisors to Our Company

As to Hong Kong laws:

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As to United States laws:

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As to Cayman Islands laws:

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Legal Advisors to our Controlling Shareholders	*As to Hong Kong and United States laws with respect to WuXi Biologics (Cayman) Inc.:* **Fangda Partners** 26/F, One Exchange Square 8 Connaught Place Central Hong Kong *As to Hong Kong and United States laws with respect to WuXi AppTec Co., Ltd.:* **Wilson Sonsini Goodrich & Rosati** Suite 1509, 15/F, Jardine House 1 Connaught Place Central Hong Kong
Legal Advisors to the Joint Sponsors and the [REDACTED]	*As to Hong Kong and United States laws:* **Davis Polk & Wardwell** 10/F, The Hong Kong Club Building 3A Chater Road Central Hong Kong *As to PRC laws:* **Jingtian & Gongcheng** 45/F, K. Wah Center 1010 Huaihai Road (M) Xuhui District Shanghai PRC
Auditor and Reporting Accountants	**Deloitte Touche Tohmatsu** *Certified Public Accountants* 35/F, One Pacific Place 88 Queensway Hong Kong

Industry Consultant	**Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.** Suite 2504 Wheelock Square 1717 Nanjing West Road Shanghai China

[**REDACTED**]

CORPORATE INFORMATION

Registered Office	PO Box 309, Ugland House Grand Cayman KY1-1104 Cayman Islands
Headquarters	No. 11 Xinhui Ring Road Xinwu District Wuxi City Jiangsu Province China
Principal Place of Business in Hong Kong	31/F, Tower Two, Times Square 1 Matheson Street Causeway Bay Hong Kong
Company's Website	**www.wuxixdc.com** *(Note: the information contained on this website does not form part of this document)*
Company Secretary	Mr. Xiaojie Xi
Authorized Representatives	Mr. Jerry Jingwei Zhang Mr. Xiaojie Xi
Audit Committee	Mr. Hao Zhou (Chairman) Dr. Ulf Grawunder Mr. Stewart John Hen
Remuneration Committee	Dr. Ulf Grawunder (Chairman) Mr. Stewart John Hen Ms. Ming Shi
Nomination Committee	Dr. Zhisheng Chen (Chairman) Dr. Ulf Grawunder Mr. Hao Zhou
Strategy Committee	Dr. Jincai Li (Chairman) Dr. Zhisheng Chen Dr. Weichang Zhou Dr. Ulf Grawunder Mr. Stewart John Hen
ESG Committee	Dr. Jincai Li (Chairman) Mr. Jerry Jingwei Zhang Dr. Weichang Zhou Ms. Ming Shi

[**REDACTED**]

Compliance Advisor	**Somerley Capital Limited** 20/F, China Building, 29 Queen's Road Central Hong Kong
Principal Banks	**Agricultural Bank of China Wuxi Xinwu Sub-branch** No. 2, Xinfa Huirong Plaza Wuxi City Jiangsu Province China
	China CITIC Bank Wuxi Branch No. 187, Zhongshan Road Wuxi City Jiangsu Province China
	China Minsheng Bank Wuxi Branch China Minsheng Bank Wuxi Branch, No. 555 Yunhe East Road, Liangxi District Wuxi City Jiangsu Province China
	Bank of China Wuxi High-tech Industrial Development Zone Sub-branch No. 140 Wangzhuang Road, Xinwu District Wuxi City Jiangsu Province China
	Shanghai Pudong Development Bank Konggang Branch No. 1000, Qihang Road Pudong New Area Shanghai China

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Bank of Communications Changzhou Branch
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Changzhou City
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China

Bank of China Changzhou Xinbei Sub-branch
Bank of China Xinbei Sub-branch, No.118
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Marina Bay Financial Centre (Tower 1), 8 Marina Boulevard, Level 00
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This section sets forth a summary of the principal laws, rules and regulations in the PRC that are relevant to our business.

PRINCIPAL REGULATORY AUTHORITIES

The principal regulatory authorities governing the CRDMO industry in the PRC include the NMPA and the National Development and Reform Commission (the "**NDRC**").

The NMPA, under and supervised by the State Administration for Market Regulation, is the primary regulatory agency in the PRC for the supervision and management of the pharmaceutical products and related businesses, and regulates almost all the key stages of the life-cycle of pharmaceutical products. As our principal business is the discovery of bioconjugates, development and manufacturing of drug substance and drug products when providing CRDMO services, we are subject to the NMPA's and its local counterpart's administration and supervision.

The NDRC, being the macro-economic management administrative authority under the PRC State Council, has broad and extensive administrative and planning control over the economic activities in China, including promoting the development of strategic new industries including drug research and contract research and development, reviewing and formulating policies.

LAWS AND REGULATIONS OF THE PRC

Regulations of Bio-industry

To promote the development of bio-industry, the PRC government has promulgated a series of industry policies in recent years. The General Office of the PRC State Council promulgated the Circular on Printing and Issuing Certain Policies for Promotion of Accelerated Development of Bio-industry (關於印發促進生物產業加快發展若干政策的通知) on June 2, 2009, clearly indicating that accelerating the development of bio-industry is a major initiative for China to grasp the strategic opportunity of the revolution of new scientific technology and to build an innovation-oriented country in an all-round way in the new century. On October 9, 2010, the Guidance on the Acceleration of the Structural Adjustment of the Pharmaceutical Industry (關於加快醫藥行業結構調整的指導意見) was promulgated and it requests boosting the development and innovation of biological technologies and pharmaceutical agents and breakthroughs of technologies, including large-scale and high throughput gene cloning and protein expression, humanization of antibody, preparation of humanized antibody, new vaccine adjuvants and large-scale cell culturing and protein purification. On October 10, 2010, the PRC State Council issued the Decision on Accelerating the Fostering and Development of Strategic Emerging Industries (關於加快培育和發展戰略性新興產業的決定), categorizing the bio-industry as a strategic emerging industry and calling for strong supports to not only develop biotechnology-derived pharmaceuticals, new types of vaccines, diagnostic reagents, chemical drugs and other large varieties of innovative pharmaceuticals used for the prevention and control of critical diseases, but also raise standards of biomedical industry.

According to the Notice of the NDRC on Printing and Distributing of the "13th Five-Year Plan" for Biological Industry (關於印發"十三五"生物產業發展規劃的通知) (Fa Gai Gao Ji [2016] No. 2665) issued on December 20, 2016, the PRC government, among others, intends to foster new types of business in the industry of bio-pharma services by establishing professional specialized service platforms and improving the level of specialization, including prioritizing the pharmaceutical services, which are in conformity with international standards, covering translational medicine, CRO, CMO, third-party medical testing services, and health management services, to research and develop a batch of internationally-leading

innovative drugs, particularly in treatment of malignant tumors and fatal infectious diseases. According to the Notice of the NDRC on Printing and Distributing of the "14th Five-Year Plan" for Bio-economy Development Planning (關於印發"十四五"生物經濟發展規劃的通知) (Fa Gai Gao Ji [2021] No. 1850) issued on December 20, 2021, the PRC government, among others, intends to emphasize on the development of bio-economy industry, which will become a key driving force to boost high-quality development by 2025.

Regulations on Drug Research, Development and Manufacturing Services

Regulations on Drug Research and Development

The institutions for non-clinical safety evaluation and study shall implement the Good Laboratory Practice for Non-Clinical Laboratory Studies (藥物非臨床研究質量管理規範) (the "**GLP**"). GLP contains a set of rules and criteria for the quality system concerned with the organizational process and conditions under which non-clinical laboratory studies are planned, performed, monitored, recorded, achieved and reported. Other pre-clinical related research activities for the purpose of drug registration shall be carried out with reference to the GLP.

Regulations on Drug Manufacturing

According to the Drug Administration Law of the PRC (中華人民共和國藥品管理法), or the Drug Administration Law, which was promulgated by the Standing Committee of the National People's Congress (the "**SCNPC**") in September 1984 and last amended in August 2019, a drug manufacturing enterprise is required to obtain a Drug Manufacturing License (藥品生產許可證) from the relevant provincial counterpart of the NMPA. According to the Measures for the Supervision and Administration of Drugs (藥品生產監督管理辦法) promulgated by the China Food and Drug Administration (the predecessor of the NMPA) on August 5, 2004 and last amended on January 15, 2020, a Drug Manufacturing License is valid for five years and may be renewed upon the application by the holder of such Drug Manufacturing License at least six months prior to the expiration date and the approval by the provincial counterpart of the NMPA originally issues the Drug Manufacturing License.

The Good Manufacturing Practice for Drugs (藥品生產質量管理規範) (the "**GMP**") which was promulgated in March 1988 and last amended in January 2011 and took effect on March 1, 2011, comprises a set of detailed standard guidelines governing the manufacture of the drugs, including institution and staff qualifications, production premises and facilities, equipment, hygiene conditions, production management, quality controls, product operation, raw material management, maintenance of sales records and manner of handling customer complaints.

In November 2019, the NMPA issued the Announcement on Matters Pertaining to the Implementation of the Drug Administration Law of the PRC (關於貫徹實施《中華人民共和國藥品管理法》有關事項的公告), in accordance to which the GMP certification was canceled from December 1, 2019, and no application for GMP certification would be accepted and no GMP certificate would be granted. However, according to the Drug Administration Law, drug manufacturers shall still comply with the GMP, establish and improve the GMP system, and ensure the whole drug production process is consistently in compliance with statutory requirements.

In May 2021, the NMPA promulgated the Administrative Measures for Drug Inspection (Trial Implementation) (藥品檢查管理辦法(試行)) which became effective on the same date, and the Administrative Measures for the Certification of Good Manufacturing Practice for Drugs (藥品生產質量管理規範認證管理辦法) were repealed concurrently. The Administrative Measures for Drug Inspection (Trial Implementation) provide that if a drug manufacturer applies for a drug manufacturing license for the first time, onsite inspections to be conducted in accordance with the GMP requirements is required, while for a drug manufacturer applying for the renewal of a drug manufacturing license, the review will be conducted based on the risk management principles, taking into account certain factors, including the drug manufacturer's compliance with the laws and regulations of drug administration, the drug manufacturer's operation of the GMP system and quality management system, and inspections on the drug manufacturer's conformity to the GMP requirements may be conducted where necessary.

Regulation on Pathogenic Microorganism Laboratories

According to the Regulations on Administration of Bio-safety in Pathogenic Microorganism Laboratories (病原微生物實驗室生物安全管理條例), which were promulgated by the PRC State Council on November 12, 2004 and last amended on March 19, 2018, the pathogenic microorganism laboratory is classified into four levels, namely Bio-safety Level 1, 2, 3 and 4 in terms of the national standard on biosafety of the laboratory. A laboratory of Bio-safety Level 1 or 2 shall not conduct laboratory activities related to highly pathogenic microorganisms. The construction, alteration or expansion of a laboratory of Bio-safety Level 1 or 2 shall be reported for the record to competent health authorities. The establisher of a laboratory shall develop a scientific and strict management system, regularly inspect the implementation of the regulations on bio-safety, and regularly inspect, maintain and update the facilities, equipment and materials in the laboratory, to ensure its compliance with the national standards. As of the Latest Practicable Date, we have two pathogenic microorganism laboratories of Bio-safety Level 2.

Regulations on Company Establishment and Foreign Investment

The establishment, operation and management of corporate entities in China are governed by the Company Law of the PRC (中華人民共和國公司法), or the PRC Company Law, which was promulgated by the SCNPC, in December 1993 and further amended in December 1999, August 2004, October 2005, December 2013 and October 2018, respectively. According to the PRC Company Law, companies are generally classified into two categories: limited liability companies and companies limited by shares. The PRC Company Law also applies to foreign-invested limited liability companies. According to the PRC Company Law, where laws on foreign investment have other stipulations, such stipulations shall prevail.

Investment activities in the PRC by foreign investors are governed by the Provisions on Guiding Foreign Investment Direction (指導外商投資方向規定), which was promulgated by the PRC State Council in February 2002 and came into effect in April 2002, the Special Administrative Measures for the Access of Foreign Investment (Negative List) (2021 Version) (外商投資准入特別管理措施(負面清單)(2021年版)), or the Negative List, which was promulgated by the Ministry of Commerce of the PRC, or MOFCOM, and the NDRC, in December 2021 and came into effect in January 2022, and the Catalogue of Encouraged Industries for Foreign Investment (2022 version) (鼓勵外商投資產業目錄(2022年版)), or the Encouraged Catalogue, which was promulgated by MOFCOM and the NDRC in October 2022 and came into effect in January 2023. The Provisions on Guiding Foreign Investment Direction divides foreign investment projects into four categories, namely "encouraged," "permitted," "restricted" and "prohibited" categories. The Encouraged Catalogue lists the foreign investment projects of the encouraged category, while the Negative List set out the foreign investment projects of the restricted and prohibited categories,

and foreign investment projects which fall outside the encouraged, restricted and prohibited categories belong to the permitted category. The Negative List sets out the restrictive measures in a unified manner, such as the requirements on shareholding percentages and corporate governance, for the access of foreign investments, and the industries that are prohibited from receiving foreign investment. The Negative List covers 12 industries, and any field not falling under the Negative List shall be administered under the principle of equal treatment to domestic and foreign investment.

The Foreign Investment Law of the PRC (中華人民共和國外商投資法), or the PRC Foreign Investment Law, was promulgated by the National People's Congress or NPC in March 2019 and came into effect in January 2020. The Law on Wholly Foreign-owned Enterprises of the PRC (中華人民共和國外資企業法), the Law on Sino-foreign Equity Joint Ventures of the PRC (中華人民共和國中外合資經營企業法) and the Law on Sino-foreign Cooperative Joint Ventures of the PRC (中華人民共和國中外合作經營企業法) were repealed upon the PRC Foreign Investment Law coming into effect. The investment activities of foreign natural persons, enterprises or other organizations (collectively, the "**foreign investors**") directly or indirectly within the territory of China shall comply with and be governed by the PRC Foreign Investment Law. Such activities include establishments by foreign investors of foreign-invested enterprises in China alone or jointly with other investors; acquisitions by foreign investors of shares, equity, property shares, or other similar interests of Chinese domestic enterprises; investments by foreign investors in new projects in China alone or jointly with other investors; and other forms of investment prescribed by laws, administrative regulations or the PRC State Council.

In December 2019, the PRC State Council promulgated the Regulations on Implementing the Foreign Investment Law of the PRC (中華人民共和國外商投資法實施條例), which came into effect in January 2020. Upon the Regulations on Implementing the Foreign Investment Law of the PRC coming into effect, the Regulations on Implementing the Sino-Foreign Equity Joint Venture Enterprise Law of the PRC (中華人民共和國中外合資經營企業法實施條例), Provisional Regulations on the Duration of Sino-Foreign Equity Joint Venture Enterprise (中外合資經營企業合營期限暫行規定), the Regulations on Implementing the Wholly Foreign-Invested Enterprise Law of the PRC (中華人民共和國外資企業法實施細則) and the Regulations on Implementing the Sino-Foreign Cooperative Joint Venture Enterprise Law of the PRC (中華人民共和國中外合作經營企業法實施細則) were repealed simultaneously.

In December 2019, MOFCOM and the State Administration for Market Regulation, or the SAMR, promulgated the Measures on Reporting of Foreign Investment Information (外商投資信息報告辦法), which came into effect in January 2020 and supersedes the Interim Measures for the Administration of Filing for Establishment and Changes in Foreign Investment Enterprises (外商投資企業設立及備案管理暫行辦法). Since January 1, 2020, for foreign investors carrying out investment activities directly or indirectly in China, the foreign investors or foreign-invested enterprises shall submit investment information to the relevant commerce administrative authorities in accordance with the Measures on Reporting of Foreign Investment Information.

In December 2020, the NDRC and MOFCOM promulgated the Measures on the Security Review of Foreign Investment (外商投資安全審查辦法), which came into effect in January 2021, setting forth provisions concerning the security review mechanism on foreign investment, including the types of investments subject to review, the scopes of review and procedures to review, among others.

Regulations on Import and Export of Goods

According to the Foreign Trade Law of the PRC (中華人民共和國對外貿易法), promulgated by the SCNPC on May 12, 1994 and last amended with effect from December 30, 2022, foreign trade operators engaged in the import and export of goods or technologies are no longer required to make a record-filing with the administrative authority of the foreign trade of the PRC State Council or its authorized agency from December 30, 2022.

According to the Regulations on the Administration over Import and Export of Goods of the PRC (中華人民共和國貨物進出口管理條例) promulgated by the PRC State Council on December 10, 2001 with effect from January 1, 2002, the import and export of goods are generally allowed by the PRC government, but the prohibitions or restrictions explicitly stipulated in the laws or administrative regulations shall still be complied with during the conduct of import and export of goods by individuals or entities. The PRC government adopts an automatic import and export licensing administration system for some freely imported and exported goods and technologies, and has a catalog of such goods and technologies. From time to time, the PRC government promulgates and updates the catalogue of restricted and prohibited goods and technologies. For goods and technologies subject to import or export restrictions, the PRC government maintains separate quota managing and licensing systems. Restricted goods or technologies may only be imported or exported with the approval of the relevant foreign trade administrative authority. Prohibited goods or technologies may not be imported or exported at all. In addition, according to the Provisions on the Administration of the Health and Quarantine of Entry/Exit Special Articles (出入境特殊物品衛生檢疫管理規定), promulgated by the General Administration of Customs of the PRC and last amended with effect from November 23, 2018, import and export of special articles such as microorganisms, human tissues, biological products, blood and blood products shall be subject to sanitation and quarantine administration. The owner of special articles or its customs broker shall apply for an approval of sanitation and quarantine of special articles with local customs before handing over the special articles for shipment.

According to the Customs Law of the PRC (中華人民共和國海關法), which was last amended with effect from April 29, 2021, the General Administration of Customs of the PRC is the State's entry and exit customs supervision and administration authority. The General Administration of Customs is responsible for supervising the transportation vehicles, goods, luggage, postal articles and other articles entering and leaving the country, collecting customs duties and other taxes and fees, and preventing and countering smuggling. The consignees and consignors for imported or exported goods and the customs brokers engaged in customs declaration shall file with the competent customs authorities for record in accordance with law. The customs brokers or individuals engaged in customs declaration shall not illegally make customs declaration on behalf of others.

According to the Administrative Provisions on the Record-Filing of Customs Declaration Entities of the PRC (中華人民共和國海關報關單位備案管理規定), which were promulgated by the General Administration of Customs of the PRC on November 19, 2021 and came into effect on January 1, 2022, consignors or consignees of imported or exported goods or customs declaration enterprises that apply for record-filing shall obtain market entity qualifications.

Regulations on Enterprise Investment Projects

According to Regulations on the Administration of Approval and Record-Filing of Enterprise Investment Projects (企業投資項目核准和備案管理條例) which were promulgated by the PRC State Council on November 30, 2016 and became effective from February 1, 2017, pre-approval is required for projects that have national security concern or relate to major productivity distribution, strategic resource development and major public interests, and projects other than the aforesaid ones are subject to administration by way of filing. The Notice of the PRC State Council on Issuing the Catalogue of Investment Projects Approved by the Government (2016 Version) (國務院關於發佈政府核准的投資項目目錄(2016年本)的通知) issued by the PRC State Council and taking effect from December 12, 2016 set out projects required for pre-approval.

Regulations on Construction

Construction Work Planning Permit

In accordance with the Urban and Rural Planning Law of the PRC (中華人民共和國城鄉規劃法) promulgated by the SCNPC on October 28, 2007 and last amended with effect from April 23, 2019, where construction work is conducted in a city or town planning area, the relevant construction entity shall apply for a construction work planning permit (建設工程規劃許可證) from the competent administrative authority in charge of urban and rural planning.

Construction Work Commencement Permit

According to the Construction Law of the PRC (中華人民共和國建築法) promulgated by the SCNPC on November 1, 1997 and last amended with effect from April 23, 2019, a construction entity shall, prior to the commencement of a construction work, apply for a construction permit (施工許可證) from the competent construction administrative authority, except that certain small-scale projects that meet the requirements and conditions set by the competent construction administrative authority are exempted from obtaining a construction permit.

According to the Administrative Measures for Construction Permits of Building Projects (建築工程施工許可管理辦法) promulgated by the Ministry of Housing and Urban-Rural Development of the PRC ("**MOHURD**") on October 15, 1999 and last amended with effect from March 30, 2021, any entity in China that carries out construction, fitting-out or decoration of a building and its ancillary facilities, installation of supporting lines, pipelines or equipment, as well as the construction of municipal infrastructure projects shall, prior to the commencement of the construction, apply for a construction permit. Construction works with a construction investment amount of less than RMB300,000 or a construction area of less than 300 square meters are not required for construction permits.

Acceptance on Completion of Construction

According to the Administrative Measures for the Administration of Completion Acceptance and Filing of Housing Construction and Municipal Infrastructure Projects (房屋建築和市政基礎設施工程竣工驗收備案管理辦法) promulgated by the MOHURD and taking effect from October 19, 2009, any entity in China that carries out construction works to build, expand or re-build real properties or municipal infrastructure projects shall, within 15 days after the acceptance and of the relevant construction work, make a record-filing with the competent construction administration authority.

Regulations on Environmental Protection, Health and Safety

Environmental Protection

The Environmental Protection Law of the PRC (中華人民共和國環境保護法), promulgated by the SCNPC on December 26, 1989 and last amended with effect from January 1, 2015, summarizes the rights and responsibilities of environmental protection regulatory authorities. The former Ministry of Environmental Protection (now the Ministry of Ecology and Environment, the "**MEE**") is authorized to promulgate national standards for environmental quality and discharge. At the same time, local environmental protection authorities may formulate local standards that are stricter than the national standards, in which case, the companies concerned shall comply with the national and local standards.

Environmental Impact Assessment

According to the Regulations on the Administration of Construction Project Environmental Protection (建設項目環境保護管理條例), promulgated by the PRC State Council on November 29, 1998 and last amended with effect from October 1, 2017, the construction entity shall submit an environmental impact report or an environmental impact statement, or fill in a registration form, as applicable, depending on the degree of impact the construction project has on the environment. For a construction project for which an environmental impact report or environmental impact statement shall be prepared, the construction entity shall submit the environmental impact report and environmental impact statement to the competent administrative authority of environmental protection for approval before the commencement of the construction. If the environmental impact assessment documents of a construction project have not been reviewed by the competent administrative authority in accordance with the law or have not been granted approval after the review, the construction entity shall be prohibited from commencing construction works of such project.

According to the Environmental Impact Assessment Law of the PRC (中華人民共和國環境影響評價法), promulgated by the SCNPC on October 28, 2002 and last amended with effect from December 29, 2018, for construction projects that have an impact on the environment, entities shall prepare an environmental impact report, environmental impact statement or registration form in accordance with the severity of the impact that the project may have on the environment.

Completion and Acceptance

The Interim Measures for Acceptance of Environmental Protection upon Completion of Construction Projects (建設項目竣工環境保護驗收暫行辦法), promulgated and implemented by the former Ministry of Environmental Protection (now the MEE) on November 20, 2017, regulate the procedures and standards for environmental protection acceptance by construction entities upon the completion of construction projects.

Pollutant Discharge

According to the Law of the PRC on Prevention and Control of Environmental Pollution Caused by Solid Wastes (2020 Revision) (中華人民共和國固體廢物污染環境防治法(2020修訂)), promulgated on October 30, 1995 and last amended with effect from September 1, 2020, the construction of projects which discharge solid waste and the construction of projects for storage, use and treatment of solid waste shall be carried out upon the assessment regarding their effects on the environment and in compliance with the

relevant regulations concerning the administration of environmental protection in respect of construction projects. The necessary supporting facilities for the prevention and control of environmental pollution caused by solid wastes as specified in the environmental impact assessment documents of the construction project must be designed, constructed and put into operation simultaneously with the major construction works of the construction project.

According to the Catalog of Classified Management of Pollutant Discharge Permits for Stationary Pollution Sources (2019 Edition) (固定污染源排污許可分類管理名錄(2019年版)), promulgated by the MEE on December 20, 2019 and effective as of the same date, key management, simplified management and registration management of pollutant discharge permits are implemented based on factors such as the volume of pollutants generated, the amount of pollutants discharged and the degree of impact on the environment. The pollutant discharging entity subject to registration management does not need to apply for the pollutant discharge permit, but shall fill in the pollutant discharge registration form on the national pollutant discharge permit administration information platform.

According to the Guidelines for the Registration of Pollutant Discharge for Stationary Pollution Sources (Trial Implementation) (固定污染源排污登記工作指南(試行)), issued by the MEE on January 6, 2020 and effective as of the same date, registration of pollutant discharge refers to the situation where enterprises that do not need to apply for a pollutant discharge permit in accordance with the law because the volume of pollutants they generate, discharge is small and the impact on the environment is limited, such enterprises shall carry out pollutant discharge registration in accordance with the relevant provisions.

According to the Regulations on Urban Drainage and Sewage Treatment (城鎮排水與污水處理條例), promulgated by the PRC State Council on October 2, 2013 with effect from January 1, 2014, urban entities and individuals shall dispose of sewage through urban drainage facilities covering their geographical area in accordance with the law. Companies or other entities engaging in medical activities shall apply for a sewage disposal drainage license (污水排入排水管網許可證) before disposing sewage into urban drainage facilities. Sewage-disposing entities and individuals shall pay sewage treatment fees in accordance with the law.

According to the Measures for the Bio-safety Environmental Management of Pathogenic Microbe Laboratories (病原微生物實驗室生物安全環境管理辦法), promulgated by the former State Environmental Protection Administration (now the MEE) on March 8, 2006 with effect from May 1, 2006, where a laboratory intends to discharge waste water or waste gas, it shall comply with the relevant provisions issued by the former Ministry of Environmental Protection (now the MEE) and implement an internal system for reporting and conduct the pollutant discharge registrations.

The Law of the PRC on Prevention and Treatment of Water Pollution (中華人民共和國水污染防治法), promulgated by the SCNPC on May 11, 1984, last amended with effect from January 1, 2018, requires that the environmental impact assessment shall be conducted in accordance with the law in case of any new construction, reconstruction, and expansion of those projects which directly or indirectly discharge pollutants into the water or other facilities on water. The water pollution prevention and treatment facilities of a construction project must be designed, constructed and put into operation simultaneously with the major construction works of the said construction project. The water pollution prevention and treatment facilities shall comply with the requirements set out in the environmental impact assessment documents approved by or filed with the competent administrative authority.

According to the Law of the PRC on Prevention and Treatment of Atmospheric Pollution (中華人民共和國大氣污染防治法), promulgated by the SCNPC on September 5, 1987 and last amended with effect from October 26, 2018, entities undertaking construction projects which have an impact on the atmospheric environment shall conduct an environmental impact assessment and make the environmental impact assessment documents available to public. The pollutants discharged into the air shall meet relevant discharge standards formulated by the MEE or the provincial level people's governments and comply with the requirements for the control of the discharge volume of key atmospheric pollutants.

Production Safety

According to the Safety Production Law of the PRC (中華人民共和國安全生產法), promulgated by the SCNPC on June 29, 2002 and last amended with effect from September 1, 2021, any enterprise that carries out production and business operation activities shall (1) abide by the Safety Production Law of the PRC and other laws and regulations related to production safety, strengthen production safety management, and establish a sound production safety responsibility system and formulate a set of production safety rules and regulations for all employees; (2) increase the efforts to guarantee the input of funds, supplies, technology and personnel to production safety, improve production safety conditions, and strengthen standardization and informatization of production safety; (3) construct a "dual-prevention" mechanism consisting of graded management and control of safety risks and examination and control of potential risks, improve the risk prevention and resolution mechanism, enhance production safety levels and ensure production safety. Enterprises that do not have the conditions for safe production shall not engage in production and business activities.

The person in charge of an enterprise shall be fully responsible for the work safety of the enterprise. An enterprise with more than one hundred employees shall set up an institution for the management of work safety or designate full-time staff for the management of work safety. The management personnel of the enterprise in charge of work safety shall conduct regular inspections of the work safety status according to the production and operation characteristics of the enterprise; the safety risks identified during the inspection shall be dealt with immediately; if they cannot be dealt with, they shall be reported to the relevant person in charge in a timely manner, who shall then promptly take measures to eliminate the safety risks. The inspection and measures taken for elimination of the safety risks must be truthfully recorded. Enterprises shall educate their employees on work safety, and truthfully inform them of the dangerous factors that exist in the workplaces and positions, preventive measures and emergency response measures. In addition, enterprises must provide employees with personal protective equipment that meets national or industry standards, and supervise and train employees to use the equipment.

According to the Measures for the Supervision and Administration of "Three Simultaneities" Requirements for the Safety Facilities of Construction Projects (建設項目安全設施「三同時」監督管理辦法), which were promulgated by the former State Administration of Work Safety (now the Ministry of Emergency Management (the "**MEM**")) on April 2, 2015 and became effective on May 1, 2015, the safety facilities of a construction project must be designed, constructed and put into operation simultaneously with the major construction works of the construction project.

According to the Regulation on the Administration of Precursor Chemicals (易製毒化學品管理條例), promulgated by the PRC State Council on August 26, 2005 and last amended and with effect from September 18, 2018, a classified administration and licensing system are applied to the production, distribution, purchase, transportation, and import and export of precursor chemicals. An enterprise shall report the variety and quantity in demand to the competent public security bureau for filing before purchasing any precursor chemicals in Category II and III.

Fire Prevention

According to the Fire Prevention Law of the PRC (中華人民共和國消防法) or the Fire Prevention Law, promulgated by the SCNPC on April 29, 1998 and last amended with effect from April 29, 2021, design and construction of the fire control facilities for a construction work shall comply with the national fire control technical standards. The developer, designer, constructors and project supervisor of a construction project shall be responsible for the quality of the design and construction of the fire control facilities for the construction work according to the relevant laws.

According to the Fire Prevention Law and the Interim Provisions on Design Inspection and Acceptance of Fire Protection of Construction Works (建設工程消防設計審查驗收管理暫行規定) or the Interim Provisions on Fire Protection, promulgated by the MOHURD on April 1, 2020 and effective as of June 1, 2020, a special construction work as stipulated in the Interim Provisions on Fire Protection shall be subject to fire protection design review before the construction of such work is commenced and shall be subject to fire protection inspection before such work is put into use. Construction works other than a special construction work shall be subject to fire protection inspection filing, and the competent administrative authority in charge of the examination and acceptance of fire protection design shall conduct spot inspections. If a construction work fails to pass the spot inspection, the use of such construction shall cease, and rectification actions must be taken with a view to applying for a re-inspection.

Prevention and Control of Occupational Diseases

According to the Law of the PRC on the Prevention and Control of Occupational Diseases (中華人民共和國職業病防治法), which was promulgated by the SCNPC on October 27, 2001 and last amended with effect from December 29, 2018, the Measures for the Supervision and Administration of "Three Simultaneities" Requirements for the Prevention and Control of Occupational Diseases Facilities of Construction Projects (建設項目職業病防護設施「三同時」監督管理辦法), which were promulgated by the MEM on March 9, 2017 and became effective on May 1, 2017, and the Measures for the Declaration of Projects with Occupational Hazards (職業病危害項目申報辦法), which were promulgated by the MEM on April 27, 2012 and became effective on June 1, 2012, the facilities for the prevention and control of occupational diseases of a construction project must be designed, constructed and put into operation simultaneously with the major construction works of the construction project.

Regulations on Self-Owned Real Properties

According to the Civil Code of the PRC (中華人民共和國民法典) or the PRC Civil Code, which was promulgated by the NPC on May 28, 2020 and became effective from January 1, 2021, properties referred to in this law include real property and personal property. The creation, alteration, alienation, or extinguishment of the property right of a real property shall become effective upon registration in accordance with law.

The certificate of ownership of real property shall be an evidence of the right holder's entitlement in the real property. The right to use a land parcel for construction purposes may be created by way of grant, allocation or by other means. A person who has the right to use a land parcel for construction purposes shall make reasonable use of the land parcel and may not change its planned purpose of use.

According to the Land Administration Law of the PRC (中華人民共和國土地管理法), promulgated by the SCNPC on June 25, 1986 and last amended with effect from January 1, 2020, China implements "socialist public ownership of land", that is, ownership by the whole people or collective ownership by the working masses. The State formulates an overall land utilization plan to stipulate land use, classifying land into agricultural land, construction land, or unused land. Entities or individuals using land must use the land strictly in accordance with the purposes of land use determined in the overall land utilization plan.

Regulations on Lease of Real Property

According to the PRC Civil Code, a lease contract generally shall contain clauses specifying the name, quantity and purpose of use of the leased object, the term of the lease, rent, the schedule and method of its payment, the maintenance and repair of the leased object, etc. The lessee of a lease may, with the consent of the lessor, sublease the leased object to a third party.

On December 1, 2010, the MOHURD promulgated the Administrative Measures for Leasing of Commodity Housing (商品房屋租賃管理辦法), which became effective on February 1, 2011. According to such measures, a commodity housing lease contract should be registered with the competent municipal or county level housing and construction authority within 30 days after the execution of the lease contract. Failure to comply with the above filing requirements may subject the relevant lessor and lessee to administrative penalties including rectification order and fine.

Regulations on Product Liability

The Product Quality Law of the PRC (中華人民共和國產品質量法) or the PRC Product Quality Law promulgated by the SCNPC on February 22, 1993 and last amended on December 29, 2018, is the principal law relating to the supervision and administration of product quality. The PRC Product Quality Law clarified liabilities of the manufactures and sellers. Manufactures shall be responsible for the quality of the products manufactured by them and sellers shall take measures to ensure the quality of the products sold by them.

If a defect in a product causes physical injury or damage to property other than the defective product, the manufacturer of the product shall be liable for compensation, unless the manufacturer is able to prove that: (1) the product has not been put into circulation; (2) the defects causing the physical injury or property damage did not exist at the time when the product was put in circulation; or (3) the science and technology at the time when the product was circulated were at a level incapable of detecting the defects. A seller shall be liable for compensation if the physical injury or property damage of others is caused by defects due to the fault on the part of seller. A seller shall also be liable for compensation if it cannot identify neither the manufacturer nor the supplier of the defective products. A person who is injured or whose property is damaged by the defects in the product may claim for compensation from the producer or the seller.

According to the PRC Civil Code and the PRC Product Quality Law, where a defective product causes any harm to another person, the manufacturer shall assume the tort liability. Where any harm is caused to another person by a defective product, the victim may require compensation to be made by the manufacturer of the product or the seller of the product. If the defect of the product is caused by the manufacturer and the seller has made the compensation for the defect, the seller shall be entitled to be reimbursed by the manufacturer. If the defect of the product is caused by the fault of the seller and the manufacturer has made the compensation for the defect, the manufacturer shall be entitled to be

reimbursed by the seller. The PRC Civil Code also stipulates that where the defect of a product endangers the personal or property safety of another person, the victim shall be entitled to require the manufacturer or seller to assume the tort liability by ceasing infringement, removing the obstruction, or eliminating the danger.

Regulations on Information Security and Data Protection

Personal Data

According to the PRC Civil Code, the personal information of an individual shall be protected by the law. Any organization or individual that needs to obtain personal information of others shall obtain such information legally and ensure the safety of such information, and shall not illegally collect, use, process or transmit personal information of others, or illegally purchase or sell, provide or publish personal information of others. In addition, the processing of personal information shall follow the principles of lawfulness, appropriateness and necessity.

On August 20, 2021, the SCNPC promulgated the Personal Information Protection Law of the PRC (中華人民共和國個人信息保護法), or the Personal Information Protection Law, which became effective on November 1, 2021. The Personal Information Protection Law requires, among others, that the processing of personal information should have a clear and reasonable purpose and should be limited to the minimum scope necessary to achieve the processing purpose, adopt a method that has the least impact on personal rights and interests, and shall not process personal information that is not related to the processing purpose.

The Interpretations of the Supreme People's Court and the Supreme People's Procuratorate on Several Issues Concerning the Application of Law in the Handling of Criminal Cases Involving Infringement of Citizens' Personal Information (最高人民法院、最高人民檢察院關於辦理侵犯公民個人信息刑事案件適用法律若干問題的解釋), or the Interpretations were promulgated on May 8, 2017 and became effective on June 1, 2017. The Interpretations clarify several concepts regarding the crime of "infringement of citizens' personal information" stipulated by Article 253A of the Criminal Law of the PRC (中華人民共和國刑法), including "citizens' personal information", "violation of relevant national provisions", "provision of citizens' personal information" and "illegally obtaining any citizen's personal information by other methods". In addition, the Interpretations specify the standards for determining "serious circumstances" and "extraordinary serious circumstances" of this crime.

Information security and censorship

On June 10, 2021, the SCNPC promulgated the Data Security Law of the PRC (中華人民共和國數據安全法), or the Data Security Law, which came into effects on September 1, 2021. The Data Security Law sets forth the regulatory framework and the responsibilities of the relevant administrative authorities in regulating data security. It provides that the central government shall establish a central data security work liaison system, which shall coordinate the relevant authorities covering different industries to formulate the catalogues of key data, and the special measures that shall be taken to protect the security of the key data.

On November 7, 2016, the SCNPC promulgated the Cyber Security Law of the PRC (中華人民共和國網絡安全法), which became effective on June 1, 2017, according to which, network operators shall fulfill their obligations to safeguard the security of the network when conducting business and providing services. Those who provide services through networks shall take technical measures and other necessary measures according to laws, regulations and compulsory national requirements to safeguard the safe and stable operation of the networks, respond to network security incidents effectively, prevent illegal and criminal activities, and maintain the integrity, confidentiality and usability of network data. The network operator shall not collect personal information irrelevant to the services it provides or collect or use the personal information in violation of the provisions of laws or agreements concluded with its users, and network operators of key information infrastructure shall store within the PRC all the personal information and important data collected and produced within the PRC. The purchase of network products and services that may affect national security shall be subject to national cyber security review.

On July 30, 2021, the PRC State Council promulgated the Regulations on the Protection of the Security of Critical Information Infrastructure (關鍵信息基礎設施安全保護條例), which became effective on September 1, 2021. According to the Regulations on the Protection of the Security of Critical Information Infrastructure, a "critical information infrastructure" refers to an important network facility and information system in important industries such as, among others, public communications and information services, as well as other important network facilities and information systems that may seriously endanger national security, the national economy, the people's livelihood, or the public interests in the event of damage, loss of function, or data leakage. These regulations supplement and specify the provisions on the security of critical information infrastructure as stated in the Cyber Security Law of the PRC, and provide that the competent administrative authorities and supervision and management authorities of the aforementioned important industries will be responsible for (1) organizing the identification of critical information infrastructures in their respective industries in accordance with certain identification rules, and (2) promptly notifying the identified operators and the Ministry of Public Security of the identification results. These regulations require that the relevant operator shall submit a report to the competent PRC administrative authority in accordance with relevant provisions upon the occurrence of any major cybersecurity incident or the discovery of any major cybersecurity threat to the critical information infrastructures, and the operators of critical information infrastructures shall purchase the safe and trusted network products and services in the first place. If the purchase of network products and services may affect national security, such operators shall pass the cybersecurity review accordingly.

On December 28, 2021, the Cyberspace Administration of China, or the CAC, jointly with 12 other administrative authorities, promulgated the Measures for Cybersecurity Review (網絡安全審查辦法), or the MCR, which became effective on February 15, 2022. According to the MCR, critical information infrastructure operators that purchase network products and services, and network platform operators engaging in data processing activities that affect or may affect national security are subject to cybersecurity review under the MCR. In addition, network platform operators with personal information of over one million users shall be subject to cybersecurity review before [**REDACTED**] abroad (國外上市). The competent administrative authorities may also initiate a cybersecurity review against the operators if the authorities believe that the network product or service or data processing activities of such operators affect or may affect national security. As of the Latest Practicable Date: (1) we had not been designated as a critical information infrastructure operator by any administrative authorities; (2) we believe that we had not engaged in any data processing activities that affect or may affect national security; and (3) we had not been involved in any investigations on cybersecurity review made by CAC, and had not received any inquiry, notice, warning or sanctions in this regard.

On July 7, 2022, the CAC promulgated the Cross-border Data Transfer Security Assessment Measures (數據出境安全評估辦法), or the Security Assessment Measures, which became effective on September 1, 2022. The Security Assessment Measures provide that, among others, data processors shall apply to competent authorities for security assessment when (1) the data processors transferring important data abroad; (2) a critical information infrastructure operator or a personal information processor that has processed personal information of more than one million people, transferring personal information abroad; (3) a data processor who has provided personal information of 100,000 individuals or sensitive personal information of 10,000 individuals abroad, in each case as calculated cumulatively, since January 1 of the last year, transferring personal information abroad, and (4) other circumstances where the security assessment of data cross-border transfer is required as prescribed by the CAC. In addition, on February 24, 2023, the Provisions on the Prescribed Agreement on Cross-border Data Transfer of Personal Information (個人信息出境標準合同辦法), or the Provisions on Prescribed Agreement were promulgated by the CAC, which took effect on June 1, 2023. The Provisions on Prescribed Agreement attach the prescribed template for cross-border data transfer agreement that could be used as an available option to satisfy the condition for cross-border transfer of personal information under Article 38 of the Personal Information Protection Law.

Regulations on Intellectual Property Rights

Trademark

Trademarks are protected by the Trademark Law of the PRC (中華人民共和國商標法), which was promulgated by the SCNPC on August 23, 1982 and last amended with effect from November 1, 2019, and the Implementation Regulation of the PRC Trademark Law (中華人民共和國商標法實施條例), which was promulgated by the PRC State Council on August 3, 2002 and came into effect on September 15, 2002, and last amended with effect from May 1, 2014. The Trademark Office of the China National Intellectual Property Administration is in charge of trademark registration and grants registered trademarks a validity term of 10 years which may be renewed for consecutive 10-year periods upon application by the owner of the registered trademark.

Patent

According to the Patent Law of the PRC (中華人民共和國專利法), promulgated by the SCNPC on March 12, 1984 and last amended with effect from June 1, 2021, and the Implementing Regulations of the Patent Law of the PRC (中華人民共和國專利法實施細則), promulgated by the PRC State Council on December 21, 1992 and last amended with effect from February 1, 2010, the Patent Office of the China National Intellectual Property Administration is responsible for the patent work nationwide, and its counterparts at provincial level are responsible for the administration of patents within their respective administrative regions. An invention or utility model for which a patent is granted shall be novel, inventive and practically applicable. The protection period is 20 years for an invention patent, 10 years for a utility model patent, and 15 years for design patent, commencing from their respective application dates. Any entity or individual that intends to use a patent of another party must enter into a licensing agreement with the patent owner and pay patent royalties to the patent owner. Any use of a patent without the permission of the patent owner constitutes an infringement of the patent right.

Domain Name

In accordance with the Administrative Measures for Internet Domain Names (互聯網域名管理辦法) promulgated by the Ministry of Industry and Information Technology (the "**MIIT**") on August 24, 2017 with effect from November 1, 2017, to establish domain name root servers and domain name root server operating organizations, domain name registration management organizations and domain registration service organizations within the territory of China, licenses from the MIIT or the telecommunications administration authority at the provincial level shall be obtained in accordance with the relevant regulations. The domain name registration service shall be conducted following the principle of "apply first, register first". The Notice of the Ministry of Industry and Information Technology on Regulating the Use of Domain Names in Internet Information Services (工業和信息化部關於規範互聯網信息服務使用域名的通知) issued by the MIIT on November 27, 2017 with effect from January 1, 2018 provides for the obligations of internet information service providers and other entities to fight against terrorism and maintain the network security of China.

Regulations on Taxation

PRC Enterprise Income Tax

The PRC enterprise income tax, or EIT, is calculated based on the taxable income determined under the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得税法) or the PRC EIT Law, and its implementation rules, both of which became effective on January 1, 2008 and were last amended with effect from December 29, 2018 and April 23, 2019, respectively. The PRC EIT Law generally imposes a uniform enterprise income tax rate of 25% on all resident enterprises in China, including foreign-invested enterprises. The PRC EIT Law and its implementation rules permit the enterprises qualified as "High and New Technologies Enterprises", or HNTEs, to enjoy a reduced 15% enterprise income tax rate.

PRC Value Added Tax

On March 23, 2016, MOF and the SAT jointly issued the Circular on the Pilot Program for Overall Implementation of the Collection of Value Added Tax Instead of Business Tax (關於全面推開營業税改徵增值税試點的通知) (the "**Circular 36**"), which took effect on May 1, 2016 and was last amended with effect from April 1, 2019 following the enactment of the Announcement 39 (as defined below). According to the Circular 36, all of the companies operating in construction, real estate, finance, modern service or other sectors which were required to pay business tax are required to pay value-added tax, or VAT, in lieu of business tax. A VAT rate of 6% applies to revenue generated from the provision of certain services. Unlike business tax, a taxpayer is allowed to offset the qualified input VAT paid on taxable purchases against the output VAT chargeable on the revenue from services provided.

On March 20, 2019, MOF, the SAT and the General Administration of Customs of the PRC issued the Announcement on Policies for Deepening the VAT Reform (關於深化增值税改革有關政策的公告) (the "**Announcement 39**"), which came into effect on April 1, 2019, to further slash VAT rates. According to Announcement 39, (1) the 16% or 10% VAT rate previously imposed on sales and imports by general VAT taxpayers is reduced to 13% or 9% respectively; (2) the 10% VAT deduction rate previously allowed for the procured agricultural products is reduced to 9%; (3) for the agricultural products procured for production or commissioned processing with a 13% VAT rate, the amount of input VAT shall be calculated at the 10% VAT deduction rate; and (4) the 16% or 10% export VAT refund rate previously granted to the exportation of goods or labor services is reduced to 13% or 9%, respectively.

Regulations on Foreign Exchange and Dividend Distribution

Foreign Exchange Control

The PRC Regulations for the Foreign Exchange Administration (中華人民共和國外匯管理條例), which were promulgated by the PRC State Council in January 1996 and amended in January 1997 and August 2008, established the regulatory framework of the administration on foreign currency exchange in China. Under the PRC Regulations for the Foreign Exchange Administration, payments of current account items, such as trade, services, benefits or current transfer-related transactions in foreign currencies, in foreign currency may be proceeded without prior approval from the State Administration of Foreign Exchange of the PRC ("**SAFE**") as long as certain procedural requirements are complied with. By contrast, approval from, or registration with, appropriate administrative authorities is required where RMB is to be converted into foreign currency and remitted out of China for items under the capital account such as repayment of foreign currency denominated loans or foreign currency is to be remitted into China under the capital account, such as a capital increase or foreign currency loans extended by an offshore entity to an entity in China.

The Provisions on the Administration of Foreign Exchange in Domestic Direct Investments by Foreign Investors (外國投資者境內直接投資外匯管理規定), which were promulgated by SAFE in May 2013 and amended in October 2018 and December 2019, regulate and clarify the administration over foreign exchange administration in foreign investors' direct investments, and provide that the administration by SAFE or its local branches over direct investment by foreign investors in China shall be conducted by way of registration and banks shall process foreign exchange business relating to the direct investment in China based on the information recorded with the SAFE and its branches.

According to the Circular of the State Administration of Foreign Exchange on Further Improving and Adjusting the Foreign Exchange Policies on Direct Investment (國家外匯管理局關於進一步改進和調整直接投資外匯管理政策的通知) and its appendix promulgated in November 2012 and amended in May 2015, October 2018 and December 2019 by the SAFE, the foreign exchange procedures are further simplified: (1) the opening of and payment into foreign exchange accounts under direct investment are no longer subject to approval by the SAFE; (2) reinvestment with legal income of foreign investors in China is no longer subject to approval by SAFE; (3) the procedures for capital verification and confirmation that foreign-invested enterprises need to go through are simplified; (4) purchase and external payment of foreign exchange under direct investment are no longer subject to approval by SAFE; (5) domestic transfer of foreign exchange under direct investment is no longer subject to approval by SAFE; and (6) the administration over the settlement of foreign exchange capital of foreign-invested enterprises is improved. Later, the SAFE issued the Circular on Further Simplifying and Improving Foreign Exchange Administration Policies in Respect of Direct Investment (關於進一步簡化和改進直接投資外匯管理政策的通知) in February 2015 which became effective in June 2015 and was further amended in December 2019, prescribed that the banks instead of the SAFE can directly handle foreign exchange registrations under foreign direct investment and outbound investment while the SAFE and its branches indirectly supervise the foreign exchange registration under foreign direct investment through the bank.

According to the Circular on the Reform of the Management Method for the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises (關於改革外商投資企業外匯資本金結匯管理方式的通知) issued by the SAFE in Mach 2015 and amended in December 2019 and March 2023, and the Circular on the Reform and Standardization of the Management Policy of the Settlement of Capital Projects (關於改革和規範資本項目結匯管理政策的通知) issued by the SAFE in June 2016, the settlement of foreign

exchange by foreign-invested enterprises shall be governed by the policy of foreign exchange settlement on a discretionary basis. However, the settlement of foreign exchange shall only be used for their own operational purposes relating to the business activities that fall within their respective business scope of the foreign-invested enterprises and follow the principles of authenticity.

On October 23, 2019, the SAFE issued the Circular on Further Facilitating the Convenience of Cross-border Trade and Investment (關於進一步促進跨境貿易投資便利化的通知), or the Circular 28, which took effect on the same day. The Circular 28 allows non-investment foreign-invested enterprises to use their capital funds to make equity investments in China, for so long as such investments do not violate the requirements set out in the Negative List and the target projects to be invested are genuine and in compliance with laws and regulations.

According to the Circular on Optimizing Administration of Foreign Exchange to Support the Development of Foreign-related Business (關於優化外匯管理支持涉外業務發展的通知) issued by the SAFE in April 2020, eligible enterprises are allowed to make domestic payments by using their funds received by way of capital contribution, foreign debts and overseas [**REDACTED**], with no need to provide the evidentiary materials concerning authenticity of such payment to banks in advance, provided that their capital use shall be authentic and compliant, and conform with the prevailing administrative regulations on the use of income under capital accounts. The concerned bank shall conduct ex post spot check and the local branches of the SAFE shall strengthen monitoring analysis and interim and ex post regulation in accordance with the relevant requirements.

Dividend Distribution

The principal regulations governing distribution of dividends of wholly foreign-owned enterprise, or WFOE, include the PRC Company Law. Under these regulations, limited liability companies (including WFOEs) in China may pay dividends only out of their accumulated profits, if any, determined in accordance with the PRC accounting standards and regulations. In addition, limited liability companies (including WFOEs) in the PRC are required to allocate at least 10% of their accumulated profits each year, if any, to fund certain reserve funds unless these reserves have reached 50% of the registered capital of the enterprises. These reserves are not distributable as cash dividends.

The SAFE issued the Notice on Improving the Check of Authenticity and Compliance to Further Promote Foreign Exchange Administration Reform (關於進一步推進外匯管理改革完善真實合規性審核的通知) in January 2017, which stipulates several capital control measures with respect to outbound remittance of profits from domestic entities to offshore entities, including the following: (1) under the principle of genuine transaction, banks shall check board resolutions regarding profit distribution, the original version of tax filing records and audited financial statements for any remittance of profits of more than (not excluding) USD50,000; and (2) domestic entities shall hold income to account for previous years' losses before remitting the profits. Moreover, domestic entities shall make detailed explanations of sources of capital and utilization arrangements, and provide board resolutions, contracts and other proof when completing the registration and outward remittance procedures in connection with an outbound investment.

Foreign Exchange Registration of Offshore Investment by PRC Residents

The SAFE issued the Circular on Relevant Issues Concerning the Foreign Exchange Administration of the Overseas Investment and Financing and the Round-Tripping Investment Made by Domestic Residents through Special-Purpose Companies (關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知) (the "**Circular 37**"), which became effective on July 4, 2014. The Circular 37 requires PRC residents (including PRC enterprise and individuals) to register with local branches of the SAFE in connection with their respective direct or indirect offshore investment in an overseas special purpose vehicle, or the SPV, directly established or indirectly controlled by PRC residents for offshore investment and financing with their legally owned assets or interests in domestic enterprises, or their legally owned offshore assets or interests. Such PRC residents are also required to amend and update their registrations with the SAFE when there is a change to the basic information of the SPV, such as changes of a PRC resident individual shareholder, the name or operating period of the SPV, or when there is a substantial change to the SPV, such as changes of the PRC individual resident's increase or decrease of its capital contribution in the SPV, or any share transfer or exchange, merger, [**REDACTED**] of the SPV.

Failure to comply with the registration procedures set forth in the Circular 37 may result in restrictions on the foreign exchange activities of the relevant onshore company, including the payment of dividends and other distributions to its offshore parent or affiliate, the capital inflow from the offshore entities and settlement of foreign exchange capital, and may also subject relevant onshore company or PRC residents to penalties under PRC foreign exchange administration regulations for evasion of foreign exchange controls.

Employee Stock Incentive Plan

In February 2012, the SAFE issued the Circular on Relevant Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly Listed Company (關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知), or the Stock Option Rules, which replaced the earlier rules promulgated by the SAFE in March 2007. Under the Stock Option Rules, PRC residents who participate in stock incentive plans in an overseas publicly listed company are required, through a PRC agent or PRC subsidiary of such overseas publicly listed company, to complete the foreign exchange registration and certain other procedures. These participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, the purchase and sale of corresponding stocks or interests and fund transfers. In addition, the PRC agent is required to amend and update the registration with respect to the share scheme if there is any material change to the stock incentive plan, the PRC agent or the overseas entrusted institution or other material changes.

Regulations on Labor Protection and Social Insurance

General Labor Contract Rules

According to the Labor Law of the PRC (中華人民共和國勞動法) which was promulgated by the SCNPC on July 5, 1994 and subsequently amended on August 27, 2009 and December 29, 2018, the Labor Contract Law of the PRC (中華人民共和國勞動合同法) which was promulgated by the SCNPC on June 29, 2007 and subsequently amended on December 28, 2012 and the Implementing Regulations of the Labor Contract Law of the PRC (中華人民共和國勞動合同法實施條例) which were promulgated by the PRC State Council on September 18, 2008, a labor contract in writing is required to establish a labor

relationship between an employee and his employer. Wages may not be lower than the local standards of minimum wages. Employer must establish their respective system of occupational safety and sanitation, implement the rules and standards issued or imposed by the State from time to time, provide education regarding occupational safety and sanitation to their employees, provide their employees with labor safety and sanitation conditions and necessary articles of labor protection conforming to the provisions of the State, and provide regular health examination for employees engaged in work involving occupational hazards.

Social Security and Housing Provident Fund

According to the Social Insurance Law of the PRC (中華人民共和國社會保險法) effective on July 1, 2011 and amended with effect from December 29, 2018, the Regulations on Occupational Injury Insurance (工傷保險條例) effective on January 1, 2004 and last amended with effect from January 1, 2011, the Interim Measures Concerning the Maternity Insurance for Enterprises Employees (企業職工生育保險試行辦法) effective on January 1, 1995, the Interim Regulations Concerning the Levy of Social Insurance (社會保險費徵繳暫行條例) effective on January 22, 1999 and amended with effect from March 24, 2019, the Unemployment Insurance Regulations (失業保險條例) effective on January 22, 1999, and the Regulations Concerning the Administration of Housing Fund (住房公積金管理條例) effective on April 3, 1999 and last amended with effect from March 24, 2019, employers in China are required to contribute, on behalf of their employees, to a number of social security funds, including funds for basic pension insurance, unemployment insurance, maternity insurance, occupational injury insurance and medical insurance, as well as a housing provident fund and other welfare plans. These payments are made to local competent administrative authorities, and any employer who fails to contribute may be ordered to correct the deficit within a stipulated time limit and be fined if it still fails to contribute after such stipulated time limit has passed.

On July 20, 2018, the General Office of the Communist Party of China and the General Office of the PRC State Council jointly issued the Reform Plan of the State Tax and Local Tax Collection Administration System (國税地税徵管體制改革方案), under which, starting from January 1, 2019, tax authorities are responsible for the collection of social insurance contributions in China. According to the Notice on Conducting the Relevant Work Concerning the Administration of Collection of Social Insurance Premiums in a Steady, Orderly and Effective Manner (關於穩妥有序做好社會保險費徵管有關工作的通知) issued by the SAT in September 2018 and the Urgent Notice on Implementing the Spirit of the Executive Meeting of the PRC State Council in Stabilizing the Collection of Social Security Contributions (關於貫徹落實國務院常務會議精神切實做好穩定社保費徵收工作的緊急通知) issued by the General Office of the Ministry of Human Resources and Social Security in September 2018, all the local authorities responsible for the collection of social insurance are strictly forbidden to conduct self-collection of historical unpaid social insurance contributions from enterprises. The Notice on Implementing Measures to Further Support and Serve the Development of Private Economy (關於實施進一步支持和服務民營經濟發展若干措施的通知) issued by the SAT in November 2018, repeated that tax authorities at all levels may not organize self-collection of arrears of taxpayers including private enterprises in the previous years. The Notice on Issuing the Comprehensive Plan for the Reduction of Social Insurance Premium Rate (關於印發降低社會保險費率綜合方案的通知) promulgated by the General Office of the PRC State Council in April 2019, generally reduces the social insurance contribution burden of enterprises, underlines that the duties for collection of social insurances premium paid by the enterprises in any province shall not be transferred to tax authorities until the condition of the province is mature, and re-emphasizes that local authorities shall not conduct self-collection of historical unpaid social insurance contributions from enterprises.

Regulations on Overseas [REDACTED]

CSRC Filing Requirements for Overseas [REDACTED] *and* [REDACTED]

On February 17, 2023, the China Securities Regulatory Commission (the "**CSRC**") released the Trial Administrative Measures of Overseas [**REDACTED**] and [**REDACTED**] by Domestic Companies (境內企業境外發行證券和上市管理試行辦法) and five supporting guidelines (together, the "**Trial Filing Measures**"), which came into effect on March 31, 2023. The Trial Filing Measures shall apply to the following overseas issuance: (1) direct [**REDACTED**] and [**REDACTED**] of PRC domestic companies, and (2) indirect [**REDACTED**] and [**REDACTED**] of a foreign company with major business operations and/or assets located in the PRC. An issuer will be qualified for the scenario (2) above, if it satisfies both conditions below: (1) more than 50% of its audited financial indicators (operating revenue, profits, total assets or net assets) for the most recent accounting year is accounted for by the domestic companies of the issuer; and (2) major business activities or operations are conducted in PRC, or main places of business are located in PRC or the majority of senior management domicile in PRC or are Chinese citizens. Despite the foregoing, regulators have the discretion to determine whether or not an [**REDACTED**] and [**REDACTED**] is indirect on a substance over form basis. The securities subject to the Trial Filing Measures include equity shares, depository receipts, corporate bonds convertible to equity shares, and other equity securities.

According to the Trial Filing Measures, the issuer shall submit the required filing documents to the CSRC within three working days after the overseas [**REDACTED**] application is submitted to the relevant overseas regulator or [**REDACTED**] venue. Once the filing documents are complete and in compliance with the stipulated requirements, the CSRC will, within 20 working days, conclude the review procedure and publish the filing results on the CSRC website. To the extent the filing documents are incomplete or do not conform to stipulated requirements, the CSRC will, within five working days upon receipt of filing documents, request supplementation and amendment to the filing. Then the issuer has 30 days to prepare any requested supplemented/amended filing. In addition, following the [**REDACTED**] in an overseas market, the issuer shall submit a report to the CSRC within three working days after the occurrence and public disclosure of the following events involving the issuer: (1) change of control; (2) investigations or sanctions imposed by overseas regulators; (3) change of [**REDACTED**] status or transfer of [**REDACTED**] market; and (4) voluntary or involuntary [**REDACTED**].

The Trial Filing Measures also stipulate that following cases may be rejected by the CSRC: (1) [**REDACTED**] and [**REDACTED**] are explicitly prohibited by laws and regulations; (2) [**REDACTED**] and [**REDACTED**] may endanger national security as reviewed and determined by competent authorities under the PRC State Council in accordance with law; (3) domestic companies of the [**REDACTED**] applicant or its controlling shareholder or actual controlling person are involved in criminal offenses in the last three years, such as corruption, bribery, embezzlement, misappropriation of property, or undermining the order of the socialist market economy; (4) domestic companies of the [**REDACTED**] applicant is under investigations for suspicion of criminal offenses or is involved in major violations of laws and regulations and no conclusion of the investigation has yet been made; or (5) there are material ownership disputes over equity interests held by controlling shareholders or by shareholders who are controlled by the controlling shareholder or actual controlling person.

Non-compliance with the Trial Filing Measures will result in regulatory action by the CSRC and fines for PRC issuers in an amount up to RMB10 million.

***CSRC Requirements on Confidentiality and Archives Administration for Overseas* [REDACTED] *and* [REDACTED]**

On February 24, 2023, the CSRC, MOF, the National Administration of State Secrets Protection and National Archives Administration of China jointly released the revised Provisions on Strengthening the Confidentiality and Archives Administration of Overseas [**REDACTED**] and [**REDACTED**] by Domestic Companies (關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定) or the Archives Administration Provisions, which came into effect on March 31, 2023. The Archives Administration Provisions shall apply to both (1) PRC domestic companies seeking a direct [**REDACTED**] on the overseas stock exchange and (2) the PRC domestic operating entities of a foreign company seeking [**REDACTED**] on the overseas stock exchange that qualifies as an "indirect [**REDACTED**]" (above (1) and (2) collectively, "**Domestic Companies**").

According to the Archives Administration Provisions, the Domestic Companies shall establish and implement a solid confidentiality and archives administration system. If a Domestic Company decides to disclose any documents or materials containing state secrets, work secrets of state authorities or any information that may be detrimental to national security or public interest once leaked, proper governmental approval procedures should be followed. After obtaining the governmental clearance, the Domestic Company disclosing such information, as one party, and the securities companies and securities services providers receiving such information, as the other party, shall also enter into non-disclosure agreements, setting forth the confidentiality obligations of the securities companies and securities services providers. When providing the above information to the securities companies and securities services providers retained by it, the Domestic Companies are also required to issue a written statement outlining its compliance with the relevant regulatory requirements and procedures.

In terms of providing accounting archives or copies thereof to any other entities or persons (such as securities companies, securities services providers and overseas regulators), the Archives Administration Provisions stipulate that relevant governmental procedures should be complied.

Any violation of the above regulations may subject the Domestic Companies to regulatory penalties under the Safeguarding State Secrets Law of the PRC (中華人民共和國保守國家秘密法) and the Archives Law of the PRC (中華人民共和國檔案法) and even criminal liabilities to the extent applicable.

The information and statistics set out in this section and other sections of this document were extracted from the report prepared by Frost & Sullivan, which was commissioned by us, and from various official government publications and other publicly available publications. We engaged Frost & Sullivan to prepare the Frost & Sullivan Report, an independent industry report, in connection with the [**REDACTED**]. *The information from official government sources has not been independently verified by us, the* [**REDACTED**]*, the* [**REDACTED**], [**REDACTED**]*, any of their respective directors and advisers, or any other persons or parties involved in the* [**REDACTED**]*, and no representation is given as to its accuracy.*

SOURCES OF INFORMATION

We commissioned Frost & Sullivan, an independent consulting firm, to conduct a detailed research on the ADC and broader bioconjugate markets and the outsourcing services industry. Frost & Sullivan is an independent global market research and consulting company which was founded in 1961 and is based in the United States. Services provided by Frost & Sullivan include market assessments, competitive benchmarking, and strategic and market planning for a variety of industries. We have agreed to pay a fee of RMB550,000 to Frost & Sullivan in connection with the preparation of the Frost & Sullivan Report. We have extracted certain information from the Frost & Sullivan Report in this section, as well as in the sections headed "Summary," "Risk Factors," "Business," "Financial Information" and elsewhere in this document to provide our potential [**REDACTED**] with a more comprehensive presentation of the industry in which we operate.

During the preparation of the Frost & Sullivan Report, Frost & Sullivan performed both primary and secondary research, and obtained knowledge, statistics, information and industry insights on the industry trends of the global ADC and broader bioconjugate markets and the global ADC outsourcing services market, as well as major players in the ADC outsourcing services industry. Primary research involved discussing the status of the industry with leading industry participants and industry experts. Secondary research involved reviewing annual reports of public companies, independent research reports and Frost & Sullivan's proprietary databases. The Frost & Sullivan Report was compiled based on the assumptions that (i) the global economies, in particular, the United States and China, are likely to maintain a steady rate of growth in the next decade; (ii) the key growth drivers mentioned in this section are likely to drive the growth of the global ADC and broader bioconjugate markets and the ADC outsourcing market from 2022 to 2030, and (iii) there is no force majeure or industry regulation that affects any of such markets dramatically or fundamentally. For the avoidance of doubt, the impacts of COVID-19 have been considered when compiling information in the Frost & Sullivan Report. In this section, Frost & Sullivan presents historical market information for five years (i.e., from 2018 to 2022) which is longer than the Track Record Period and, we believe, is a more accurate reflection of the trends that affect our markets.

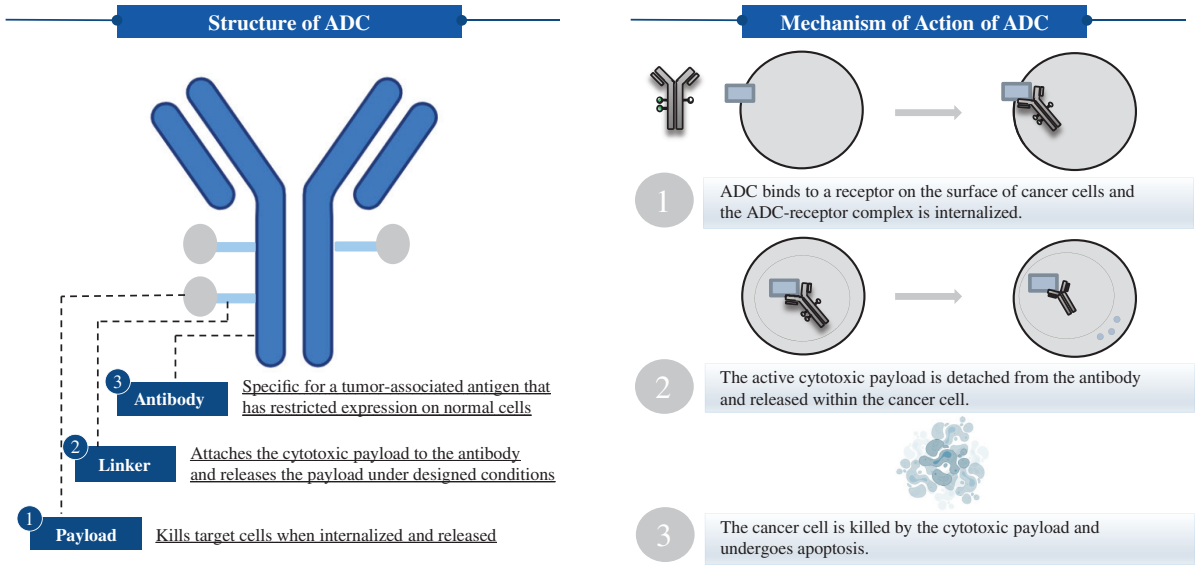
Our Directors confirmed that, after taking reasonable care, as of the Latest Practicable Date, there had been no adverse change in the market information set forth herein since the date on which the Frost & Sullivan Report was issued.

OVERVIEW OF ADC AND BROADER BIOCONJUGATE MARKETS

Antibody Drug Conjugates ("ADCs")

ADC is an innovative biologics drug modality composed of a biologic component (i.e., the antibody) attached to a small molecule drug (i.e., the cytotoxic payload) via a specifically designed linker. A traditional ADC drug utilizes the antibody to bind to the tumor-specific antigen, delivers the payload to the target cancer cell, and then releases the payload to cause cancer cell death. An ADC combines the target selective antibody and highly active cell-killing toxic drug, and has demonstrated the potential of significantly improving therapeutic window, which is the dose range of a drug that provides safe and effective therapy, compared to current standard-of-care therapies.

The following diagram illustrates an ADC's structure and its mechanism of action ("**MoA**").



Source: Frost & Sullivan Analysis

Two categories of payloads are frequently utilized among the marketed ADCs: (1) tubulin inhibitors, and (2) DNA damaging agents. With respect to antibodies, the IgG antibody stands as the most widely utilized antibody. When it comes to conjugation methods, there are typically two options commonly used: (i) leveraging stochastic conjugation by targeting existing lysine or cysteine residues through suitable coupling reactions, and (ii) employing site-specific conjugation strategies.

Overview of Global ADC Market

Following the FDA's approval of the first ADC, Mylotarg® (gemtuzumab ozogamicin), in 2000, both academic and industrial sectors have dedicated decades of effort towards the development of ADC therapies. In recent years, there have been significant advancements in ADC drug development, such as the emergence of new conjugation technology, optimization of drug-to-antibody ratios (DARs), and improved linker design. Consequently, the field has seen an acceleration in development, leading to an era of explosive growth. For the period from 2019 to 2022, ADCs represent approximately 15.4% of biologics approved by the FDA, according to Frost & Sullivan.

As of June 30, 2023, 15 ADC drugs had received approval worldwide, out of which 11 had been approved since 2018 and 4 have been approved since 2021. Several of these drugs have shown promising clinical benefits and have the potential to become blockbusters. For instance, Enhertu, a groundbreaking treatment for HER2+ cancers, generated revenue exceeding US$200 million in 2020, its first year on the market after its commercial launch in December 2019. In 2022, three third-generation ADCs generated significant annual sales. Enhertu sales surpassed US$1.2 billion, Padcev sales reached over US$750 million, and Trodelvy sales amounted to approximately US$680 million. These impressive sales figures were achieved in their third year after launch. In addition, 15 to 57 ADC drug candidates have entered clinical trials annually since 2018. As of June, 2023, there were over 500 ongoing clinical trials globally, involving 231 ADC drug candidates, among which, 134, 79 and 18 are currently undergoing phases I, II and III clinical trials, respectively. The flourishing clinical development of ADC drugs has led to the publication of over 100 abstracts related to ADCs at the 2023 American Society of Clinical Oncology ("**ASCO**") Annual Meeting.

Details of 15 Approved ADC Drugs Globally As of June 30, 2023

First Approval Year	Commercial Name	Developer	Indications	Target
2011 (FDA)	Adcetris	Seagen/Takeda	Classical Hodgkin Lymphoma, Systemic Anaplastic Large Cell Lymphoma, Primary Cutaneous Anaplastic Large Cell Lymphoma, Mycosis Fungoides, Peripheral T-Cell Lymphoma,	CD30
2013 (FDA)	Kadcyla	Roche	HER2-Positive Breast Cancer	HER2
2017 (FDA)*	Mylotarg	Pfizer	Acute Myeloid Leukemia	CD33
2017 (FDA)	Besponsa	Pfizer	B-Cell Acute Lymphoblastic Leukemia	CD22
2018 (FDA)	Lumoxiti	AstraZeneca	Hairy Cell Leukemia	CD22
2019 (FDA)	Polivy	Roche	Diffuse Large B-Cell Lymphoma, Large B-Cell Lymphoma	CD79B
2019 (FDA)	Padcev	Seagen/Astellas	Urothelial Carcinoma	NECTIN-4
2019 (FDA)	Enhertu	Daiichi Sankyo/AstraZeneca	HER2-Positive Breast Cancer, HER2 Low Expression Breast Cancer, Gastric Cancer, Non-Small Cell Lung Cancer, Gastroesophageal Junction Cancer	HER2
2020 (FDA)	Trodelvy	Gilead	Triple-Negative Breast Cancer, Urothelial Carcinoma, HR-Positive, HER2-Negative Breast Cancer	TROP-2
2020 (FDA)	Blenrep	GlaxoSmithKline	Multiple Myeloma	BCMA
2020 (PMDA)	Akalux	Rakuten Medical	Head And Neck Cancer	EGFR
2021 (FDA)	Zynlonta	ADC Therapeutics	Diffuse Large B-Cell Lymphoma	CD19
2021 (NMPA)	Aidexi	RemeGen	Urothelial Carcinoma, Gastric Cancer, Gastroesophageal Junction Carcinoma	HER2
2021 (FDA)	Tivdak	Genmab/Seagen	Cervical Cancer	TF
2022 (FDA)	Elahere	ImmunoGen/Huadong Medicine	Ovarian Cancer, Fallopian Tube Cancer And Peritoneal Cancer	FR-A

Source: FDA, NMPA, PMDA, Frost & Sullivan Analysis

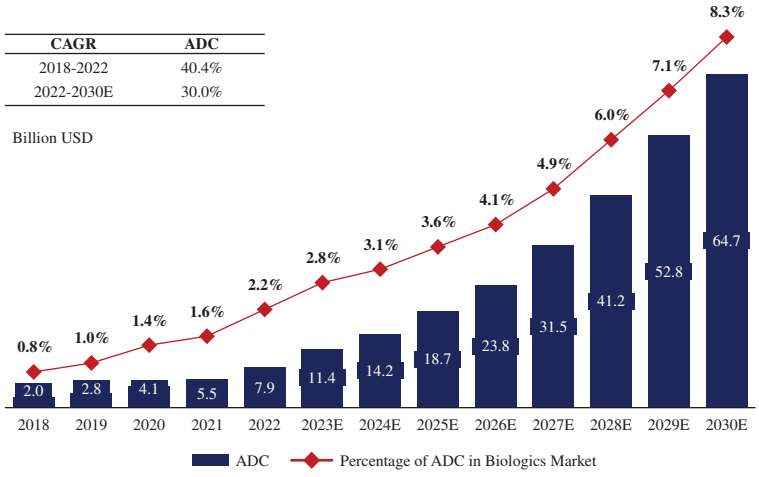
Note:

* The Mylotarg from Pfizer was initially approved in 2000, which was subsequently withdrawn from the market in 2010 voluntarily, and was re-approved in 2017.

Global ADC market is poised for substantial growth over the next decade. The global ADC market in 2022 has grown to US$7.9 billion with a CAGR of 40.4% between 2018 and 2022, and is expected to further grow to US$64.7 billion in 2030 at a CAGR of 30.0% between 2022 and 2030, according to Frost & Sullivan. The share of ADC drugs in the overall biologics market is expected to increase from 2.2% in 2022 to 8.3% in 2030, according to the same source.

The following chart sets forth global market size of ADC and its percentage of overall biologics for the period between 2018 and 2030:

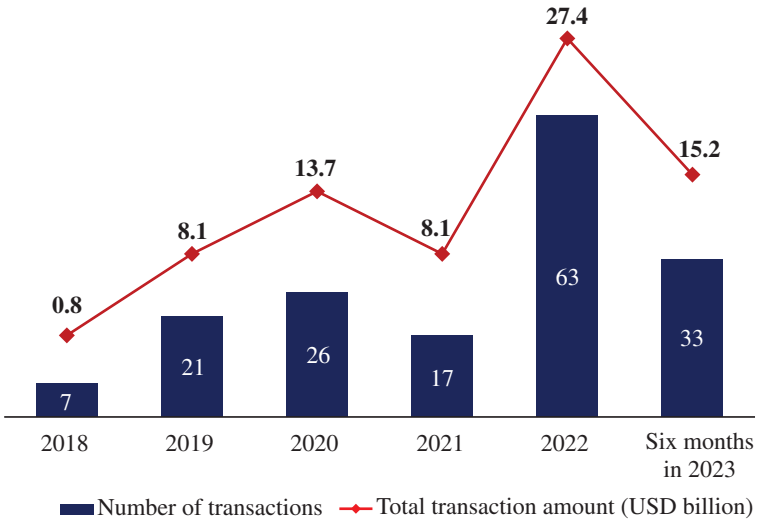
Global Market Size of ADC Between 2018 and 2030E



Source: Frost & Sullivan Analysis and Companies' Annual Reports

Furthermore, the commercial potential of ADCs and other bioconjugate drugs has been evidenced by significant acquisition and licensing activities globally. According to Frost & Sullivan, over 100 deals involving ADCs have taken place since 2022. These include the recent acquisition of Seagen, a leading biotech company specializing in developing ADCs for cancer treatment, by Pfizer, for a total consideration of approximately US$43 billion. The surge in licensing deals for ADCs is driven by the technological developments in ADC, in particular, improvements in ADC platforms, linker technologies and new applications such as combination approaches with immunotherapy and chemotherapy to treat cancer, and profit potential, according to Frost & Sullivan. In 2022, there were a total of 63 ADC licensing deals worldwide, representing a 270% increase compared to the previous year. The reasons of the high transaction amount in 2022 include (1) the signing of a number of mega deals, for instance, Merck and Kelun-Biotech announcing an exclusive license and collaboration agreement for seven investigational ADC candidates in December 2022, where the upfront payment and milestone payments totaling up to US$9.5 billion, accounting for 35% of the 2022 full year transaction amount; and (2) the sales performance and commercial potential of approved ADC drugs, especially some ADCs with breakthrough designation, drives up the number of deals and transaction amount in 2022. Indeed, the global ADC market increased by 43.6% in 2022 compared to 2021. Enhertu alone generated sales of US$1,229 million in 2022, representing an 155% increase from the previous year. The chart below illustrates the number of global ADC licensing deals over the past five years. The decrease in the number of transactions and total transaction amount of global ADC licensing deals in 2021 was likely due to the COVID-19 pandemic impacted decision-making on licensing transactions.

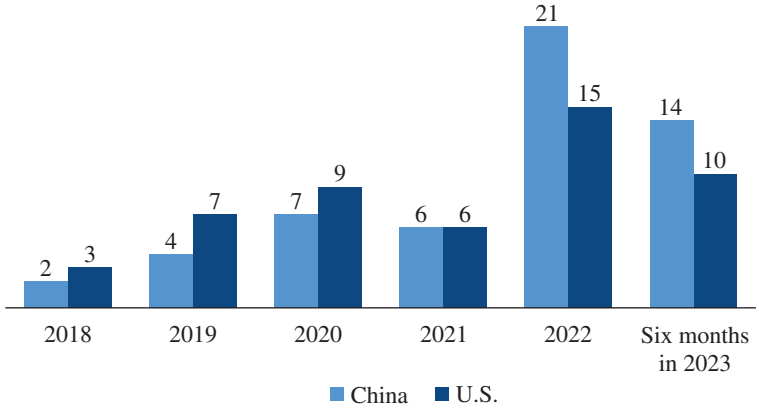
Global ADC Licensing Deals from 2018 to 6M2023



Source: Frost & Sullivan Analysis and Respective Companies' Public Disclosures

China has emerged as the frontrunner in ADC development, occupying a prominent position in the global market. According to Frost & Sullivan, China has been the primary contributor to ADC out-licensing deals in recent years, with 35 deals between 2022 and June 2023, whereas the United States has contributed 25 deals in the same period. The chart below illustrates the number of ADC out-licensing deals from China and the U.S. over the past five years.

ADC Out-Licensing Deals from China and the U.S. from 2018 to 6M2023



Source: Frost & Sullivan Analysis and Respective Companies' Public Disclosures

According to Frost & Sullivan, since 2022 and as of June 30, 2023, there had been 10 China pharmaceutical and biotechnology companies that reached 14 ADC out-licensing deals with overseas partners, totaling US$22.0 billion. Of these 10 China companies, eight of them are clients of our Company. The following table sets forth out-licensed ADC deals by China-based biotechnology companies with overseas partners since 2022 and as of June 30, 2023.

China Out-licensing ADC Deals with Overseas Partners since 2022

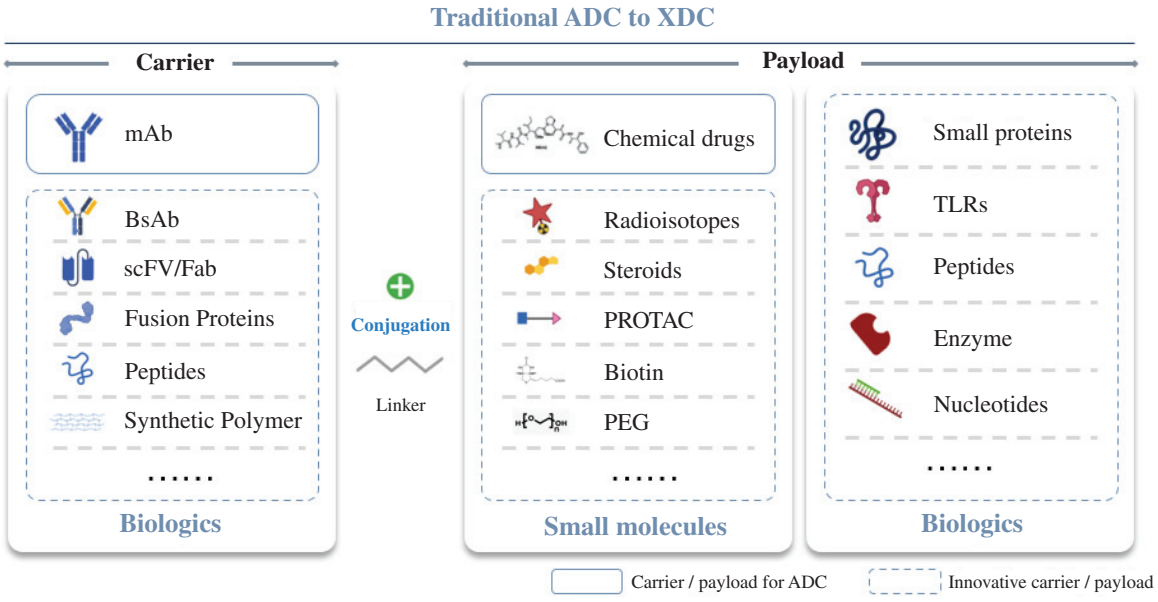
Number	Licensor	Licensee	Asset	Transaction Amount (billion USD)	Date
1	Kelun Biotech	MSD	7 ADCs	9.5	2022.12
2	Bliss Bio	Eisai	BB-1701	2.0	2023.5
3	Duality Biologics	BioNTech	2 ADCs	1.7	2023.4
4	Kelun Biotech	MSD	SKB-264	1.4	2022.5
5	CSPC Megalith Biopharmaceutical	Elevation Oncology	SYSA1801	1.2	2022.7
6	KYM Biosciences	AstraZeneca	CMG901	1.2	2023.2
7	LaNova Medicines	Turning Point	LM-302	1.0	2022.5
8	GeneQuantum	Pyramid Biosciences	GQ1010	1.0	2023.4
9	Kelun Biotech	MSD	SKB-315	0.9	2022.7
10	Evopoint Biosciences	AmMax	AMB-05X	0.9	2023.1
11	CSPC	Corbus	Nectin-4 ADC	0.7	2023.2
12	LaNova Medicines	AstraZeneca	LM-305	0.6	2023.5
13	Multitude Therapeutics	OnCusp Therapeutics	Highly differentiated ADC targeting CDH6	NA	2022.6
14	Biocytogen	ADC therapeutics	3 mAb/BsAb molecules against tumor targets for ADC development	NA	2022.11
Total Transaction Amount (billion USD)				**22.1**	

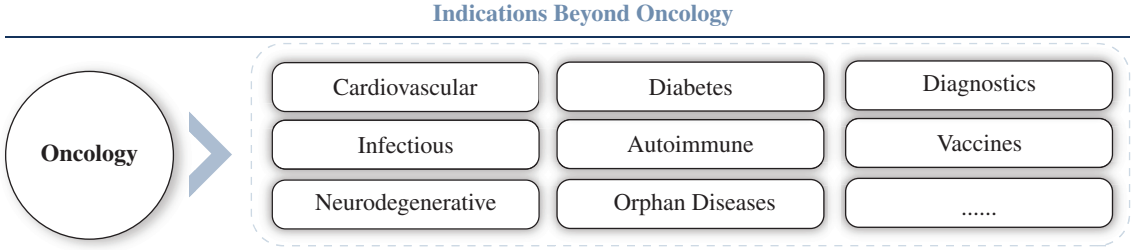
Source: Frost & Sullivan Analysis and Respective Companies' Public Disclosures

Broader bioconjugates — from ADCs to XDCs

Ongoing research and development endeavors continually explore novel variations in payloads, linkers, antibodies (or alternative carrier categories), and conjugation methods. These efforts have generated a wide range of potential bioconjugates, providing diversified treatment options for various therapeutic applications.

Bioconjugates are extending beyond ADC by first conjugating various payloads other than chemical drugs with antibody, and then further to conjugate various carriers other than antibody with various payloads ("**XDC**"). The following chart illustrates transition from traditional ADCs to broader bioconjugates and application expansion. It is worth noting, however, that the development of XDC beyond ADC is still at a preliminary stage, facing uncertainties to progress from traditional ADCs to broader bioconjugates and application expansion in terms of timing, market acceptance and likelihood of obtaining approval.





Source: Literature Review, Frost & Sullivan Analysis

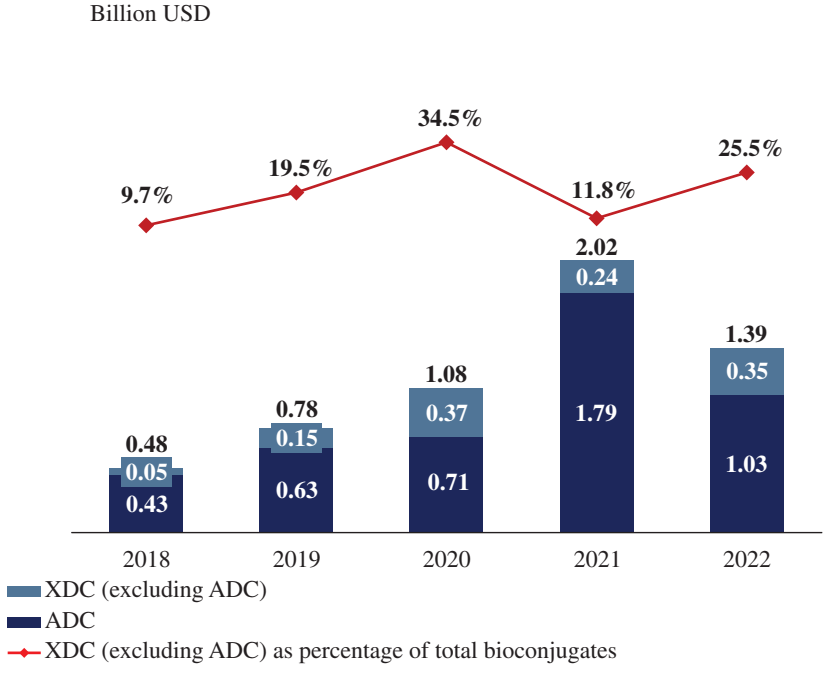
Beyond the traditional cytotoxins, more than seven different types of payloads with novel mechanisms are currently being incorporated into ADC designs. Notably, radionuclide drug conjugates ("**RDC**"), or radioligand therapy, utilize radioisotopes to emit therapeutic radiation, causing damage to cells, while the target ligand selectively binds to specific markers on target cells. RDCs have demonstrated notable advantages in targeting specificity across various indications and a number of RDCs have achieved strong commercial performance. Novartis has made significant investments in RDC space, with two approved therapeutic RDCs. Pluvicto was approved in 2022 and achieved sales of US$271 million in its first year of launch. Novartis has invested over US$7 billion in RDCs since 2017, including the acquisition of Advanced Accelerator Applications ("**AAA**") for Lutathera and NetSpot of US$3.9 billion and Endocyte for Pluvicto of US$2.1 billion. In March 2023, Novartis further invested US$1.7 billion in Bicycle for collaboration in novel RDC candidates, further emphasizing the significance of RDCs in the pharmaceutical industry.

The IgG antibody stands as the most widely utilized antibody, although researchers are actively working on reducing its size by eliminating the Fc segment. The advancement of bispecific antibody technology has opened up new possibilities for innovation in ADCs. In addition to antibodies, alternative molecules such as peptides, fusion proteins, and synthetic polymers are being investigated as potential carriers. Peptide-drug conjugates ("**PDCs**") have emerged as the next generation of targeted therapeutics following ADCs, offering enhanced cell permeability, improved efficacy and reduced off-target toxicity. Compared with antibodies, peptides have the advantages of smaller molecular weight, which leads to enhanced cell permeability and higher feasibility to synthesize and purify, resulting in lower production cost of PDCs. As of June 30, 2023, there were three approved PDCs globally and over 10 PDCs in clinical stage, including two in the Phase III stage. Lutathera, the peptide conjugated to a radioisotope developed by Novartis, received FDA approval in 2018 and achieved sales of US$471 million in 2022.

PEGylated recombinant protein is also an active ingredient that is increasingly used in XDC. PEGylation of recombinant protein allows for an increased stability of the bioconjugate drug and a prolonged circulation time in the body, therefore potentially contributes to an enhanced overall efficacy.

With the continuous advancements in technology development, XDCs including PDC, RDC, antibody-oligonucleotide conjugates ("**AOC**"), antiviral Fc conjugates and nanoparticle conjugates, etc. have seen increasing investment in global R&D activities. The following chart shows the global private market financings for XDCs in addition to ADCs in recent years. The decrease in the global private market financings for XDC (excluding ADC) as a percentage of total bioconjugates in 2021 was primarily due to a significant increase in the financing for ADCs. The absolute amount of financings for XDC remained relatively stable, and such a fluctuation in the private market financing for emerging modalities, such as XDC, is not uncommon.

Global Private Market Financings for ADCs and XDCs Between 2018 and 2022



Source: Frost & Sullivan Analysis and Respective Companies' Public Disclosures

As conjugation technologies continue to advance, there is also a growing exploration of carriers beyond mAb and payloads beyond small molecular drugs. These broader drug conjugates have the potential to target various aspects of treatment of cancer as well as other therapeutic areas. This diversification further enhances the market potential and contributes to the sustained growth of the industry.

As of June 30, 2023, there are 135 XDC products (excluding ADCs) undergoing clinical trials worldwide. Among them, 65 are in Phase II, while 56 are in Phase I and 14 are in Phase III, including 12 RDC candidates in Phase III, according to Frost & Sullivan. As of the same date, there are 98 RDC projects and 17 PDC projects in clinical stage, as well as three FDA-approved therapeutic RDCs. A significant number of XDC products in clinical development are focused on emerging targets, showcasing the considerable potential of XDCs in offering expanded treatment options. It is anticipated that 17 XDCs (excluding ADCs) will receive approval within the next five years, according to Frost & Sullivan. Although we have witnessed ongoing research and development endeavors continually explore broader bioconjugates, ADCs still form a substantial portion of the overall XDC market. There are very limited number of XDCs (other than ADC) approved globally and no XDCs (other than ADC) approved in China, according to Frost & Sullivan. As noted previously, over majority of XDC products (other than ADC) are still in pre-clinical and clinical stages.

Major trends and growth driver of global ADC market

ADC technology has evolved significantly since the development of the first-generation ADCs. The introduction of site-specific conjugation technology has contributed significantly to the third generation of ADCs. This advancement has allowed the production of homogenous ADCs with well-defined DARs. As a result, these ADCs exhibit the desired cytotoxicity and reduce off-target toxicity. Furthermore, the use of fully humanized antibodies, as opposed to chimeric antibodies, in the third generation helps mitigate immunogenicity concerns. This switch to fully humanized antibodies enhances the overall safety and effectiveness of ADCs. Highly potent payloads are adopted in the third generation ADCs, which further improve efficacy. Additionally, ADCs with homogenous DARs offer improved pharmacokinetics, ensuring optimal drug delivery and distribution throughout the body.

The global ADC market will continue to advance driven by the following factors:

- ***Advances in ADC design and conjugation strategie***s — Continued research in ADC technology and cancer biology is anticipated to fuel the exploration of innovative targets, payload molecules, linker designs, and conjugation strategies. This pursuit holds the potential to develop new ADC designs that enhance therapeutic efficacy and address toxicity concerns associated with existing ADCs available in the market.

- ***Expansion of applications and treatment lines*** — The progress in ADC technologies is projected to lead to a wider array of potential targets and applications, extending beyond oncology to include other therapeutic areas. It is anticipated that around 30 ADCs will receive approval within the next five years globally, covering applications such as cancers, autoimmune diseases, diabetes, cardiovascular diseases, and genetic diseases. ADCs are also expected to enter earlier treatment lines and expand into the early stages of cancers.

- ***Combination with other treatment modalities*** — The mechanisms of action of ADCs have the potential to synergize with other treatment modalities, resulting in enhanced tumor cell eradication. Therefore, ADC is being actively studied in preclinical activities and clinical trials in combination with other anticancer agents including chemotherapy, molecularly targeted drugs, and immunotherapy in recent years. With the extensive efforts currently underway, it is believed that the ADC-based combination therapy holds promising prospects in the future. For example, the combination of ADC and immunotherapy has the potential to become the primary approach in immunotherapy. Nearly half of the current combination therapies involving immunotherapy and chemotherapy could be replaced by immunotherapy combined with ADC, according to Frost & Sullivan.

Challenges in ADC Discovery and Development Process

The discovery, development and manufacturing of ADC require an interdisciplinary expertise in both biologics and small molecule compounds, as well as a deep understanding of complex supply chain management.

Key challenges in ADC discovery, development, and manufacturing process involve but not limited to following and oftentimes are intertwined:

- ***Challenging ADC design and discovery conjugation scenarios*** — Achieving success in discovering and generating stable antibodies and payload-linkers of high purity demands interdisciplinary expertise. When venturing into conjugation discovery, it becomes crucial to extensively explore different conjugation methods, especially when working with less stable antibodies or highly hydrophobic payload-linkers. Additionally, a considerable level of expertise is required to align specific desired profiles, such as the desired DAR and drug load distribution. Furthermore, versatile analytical characterization methods are essential due to the involvement of diverse molecule types in each study.

- ***Developability assessment for seamless transition to CMC*** — When considering novel biologics as a modality, it becomes crucial to conduct a developability assessment to validate the selection of a lead candidate for subsequent preclinical studies. Before progressing to the CMC process, a substantial amount of time and resources may be required to verify the conjugability and stability of the lead molecule through thorough physicochemical and developability assessments.

- ***Complexity on conjugation process optimization and formulation development*** — Parameters such as DAR and heterogeneity (drug load distribution) are key in the conjugation process development, as they directly influence the stability and quality of the bioconjugates. The formulation development process becomes intricate as it involves the formulation of both the antibody intermediate and ADC drug substance and drug products. This necessitates the adoption of complex analytical method development and product characterization, which often requires double the effort compared to working solely with antibodies. Achieving proficiency in process development, formulation development, and analytical method development demands a high level of expertise. Ensuring process efficiency and consistency is also of utmost importance in this context.

- ***Handling of high potent compounds*** — The requirement for specialized facilities, experienced staff, and substantial investments in environmental health and safety ("**EHS**") compliance in handling highly potent compounds during the development and manufacturing process result in high outsourcing demand, because few companies possess these capabilities in-house.

- ***Complex supply chain management*** — To produce various components of ADCs and manage the manufacturing of ADC drug substances and final drug products, multiple manufacturing facilities for both biologics and small molecule drugs are typically required. The complexity of the supply chain management requires in-depth execution expertise and all-rounded facilities. The geographical proximity of these facilities becomes a significant distinguishing factor, as it enables better quality assurance and cost efficiency by minimizing logistical challenges.

- ***Multiple outsourcing service providers required and fragmented supplier network*** — Considering all the challenges in each discovery and development steps of ADC development, outsourcing has become a natural strategy for pharmaceutical and biotechnology companies. Despite strong outsourcing demands, most outsourcing service providers are only capable of handling specific segments of the process due to the interdisciplinary nature of antibody and payload-linker discovery, complex transition to CMC and multiple facilities required for development and manufacturing. Consequently, completing the full discovery and development process usually entails engaging multiple outsourcing service providers, which resulted in long development life cycle, potential delays and disruptions in the supply chain and potential loss of accountability when transitioning between outsourcing service providers.

For a typical ADC project, antibody, payload-linker, conjugation process development and formulation are moving forward in parallel, and highly dependent on each other. As ADCs are complex molecules, which require clean room biologic and high containment cytotoxic facilities for safe handling, most companies may find it challenging and even economically unviable to manage every aspect of the entire ADC development process. Hence, outsourcing has emerged as a preferred business strategy in this domain.

OVERVIEW OF GLOBAL ADC OUTSOURCING SERVICES MARKET

Overview of key process and value chain of ADC outsourcing services market

ADC outsourcing services cover every stage of the ADC development process, starting from discovery and extending to commercial manufacturing. The intricate and highly technical nature of ADC development has led the majority of pharmaceutical and biotech companies to rely on outsourcing partners for ADC development.

- ***Discovery*** — The process of ADC discovery, leading to the identification of a preclinical ADC drug candidate with desired properties, involves six crucial steps. These steps encompass: (1) target selection, (2) discovery of antibody intermediate for bioconjugate, (3) payload-linker discovery chemistry, (4) conjugation discovery, (5) physicochemical characterization and developability discovery, (6) *in vitro* and *in vivo* bio-function activity studies.

- ***Development*** — During the development phase, various activities are undertaken to optimize ADC's production to ensure manufacturing consistency and successful scale-up. This includes optimizing the antibody expression conditions and purification processes, conducting payload-linker medicinal chemistry analysis and optimization, developing the payload-linker synthesis process, optimizing the conjugation process, formulating and developing the drug product ("**DP**"), non-GMP manufacturing, conducting IND-enabling toxicity studies, preparing the CMC dossier, and providing regulatory support until the drug candidate receives approval from regulatory authorities.

  Due to the complex nature of the development process and the stringent quality control requirements, it is uncommon to switch outsourcing service providers after this stage, if the chosen outsourcing service provider offers a comprehensive range of services spanning development and manufacturing.

- ***Manufacturing*** — Manufacturing services encompass the production of all components necessary for ADCs, including manufacturing antibody intermediates specifically tailored for ADCs. This also entails manufacturing payload-linkers, ADC drug substances, and ADC drug products in various scales and forms to meet the clinical and commercialization needs of customers, which needs to comply with requirements of FDA, the NMPA, the EMA and other regulatory agencies.

According to Frost & Sullivan, the global outsourcing rate for ADC discovery, development and manufacturing has reached approximately 70%, surpassing the 34% outsourcing rate observed for overall biologics by the end of 2022.

It is noteworthy that out of the 15 globally approved ADC drugs, 13 have been manufactured by outsourcing service providers, with the majority of them being outsourced to multiple outsourcing service providers. The following table illustrates an overview of global approved ADC outsourcing manufacturing:

Approved ADC Globally and Outsourcing Status

Drug Name	Company	Outsourcing Status	Whether Outsourced to Multiple Suppliers
Mylotarg	Pfizer	N	–
Adcetris	Seagen/Takeda	Y	Y
Kadcyla	Roche	Y	Y
Besponsa	Pfizer	N	–
Lumoxiti	AstraZeneca	Y	Y
Polivy	Roche	Y	N
Padcev	Seagen/Astellas	Y	Y
Enhertu	Daiichi Sankyo/ AstraZeneca	Y	Y
Trodelvy	Gilead	Y	Y
Blenrep	GlaxoSmithKline	Y	Y
Akalux	Rakuten Medical	Y	NA
Zynlonta	ADC Therapeutics	Y	Y
Disitamab vedotin	RemeGen	Y	NA
Tivdak	Genmab/Seagen	Y	N
Elahere	ImmunoGen/ Huadong Medicine	Y	NA

Source: Frost & Sullivan Analysis, European Medicines Agency ("EMA")

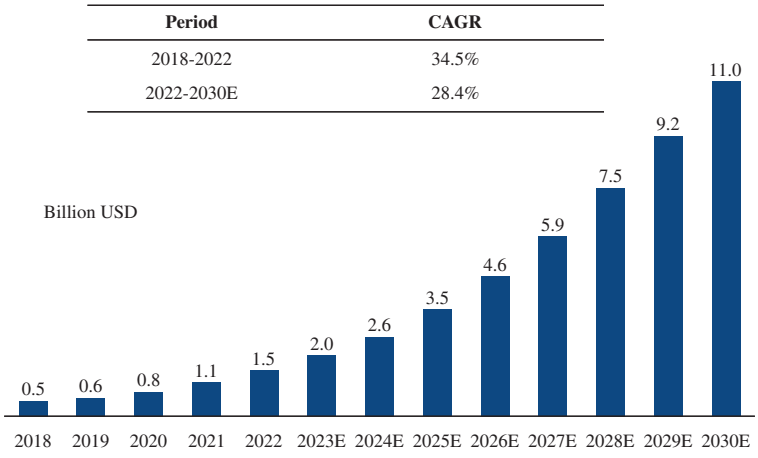
Note: "NA" means information not publicly available.

Global ADC outsourcing services market

The global market for ADC outsourcing services reached a value of US$1.5 billion in 2022, exhibiting a CAGR of 34.5% between 2018 and 2022. This growth outpaced the overall biologics outsourcing services market, which had a CAGR of 21.8% during the same period. It is expected that the global ADC outsourcing services market will expand significantly to reach US$11.0 billion by 2030, with a CAGR of 28.4% from 2022 to 2030.

The following chart sets forth global ADC outsourcing services market size between 2018 and 2030.

Global ADC Outsourcing Services Market Size Between 2018 and 2030E



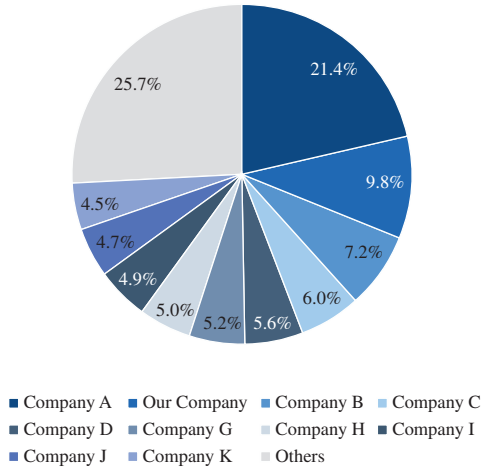
Source: Frost & Sullivan Analysis and Company Annual Reports

Competitive landscape of Global ADC outsourcing services market

The global market for ADC outsourcing services exhibits a relatively concentrated landscape, with the top 5 and top 10 players collectively holding a market share of 50.0% and 74.3% in 2022 in terms of revenue, respectively.

In terms of revenue in 2022, our Company ranked the second in the global ADC outsourcing service market with a market share of approximately 9.8%, according to Frost & Sullivan. The largest player has approximately 21.4% market share measured by revenue in 2022. The following pie chart shows the market shares of top players in the global ADC outsourcing service market in terms of revenue in 2022:

Global Competitive Landscape (by Revenue) in 2022



Source: Frost & Sullivan Analysis and Company Annual Reports

The following table sets forth further details of top ten players in the global ADC outsourcing service market in terms of revenue in 2022.

Certain Details of Top 10 Global ADC Outsourcing Service Players

Company	Geographical presence			Revenue, million USD	Market share
	mAb	Payload-Linker	Conjugation		
Company A	Tuas (Singapore) / Slough (UK)	Visp (Switzerland)	Visp (Switzerland)	319.0	21.4%
XDC The Bioconjugation Leader	Shanghai (China), Wuxi (China)	Changzhou (China) (Wuxi (China) under construction, to commence operation by 2023)	Wuxi (China)	146.0	9.8%
Company B	Martillac (France)	Madison, Wisconsin (US)	St. Louis, Missouri (US)	107.5	7.2%
Company C	N/A	France	France	89.5	6.0%
Company D	Worcester (US)	Ireland, Chicago (US)	Chicago (US), Worcester (US)	83.0	5.6%
Company G	Latina (Italy)	Latina (Italy)	Latina (Italy)	78.0	5.2%
Company H	Wisconsin (US)	N/A	California (US)	75.0	5.0%
Company I	N/A	India and US	Grangemouth (UK)	72.3	4.9%
Company J	Teesside (UK)/ North Carolina (USA)	N/A	N/A	70.0	4.7%
Company K*	N/A	N/A	N/A	67.3	4.5%

Notes:

1. All services performed by our Company are conducted in facilities located within 1-2 hours of driving distance.
2. Company A is a multinational CDMO company that offers development and manufacturing services for fine chemicals, advanced intermediates, active pharmaceutical ingredients ("**APIs**"), biologics and functional ingredients. Company A is a public company with decades of operations and headquartered in Switzerland.
3. Company B is the life science business unit of a global science and technology company. It has CDMO expertise in the development and manufacturing of highly potent APIs, linkers and monoclonal antibodies for both clinical and commercial use. The parent company of Company B is a public company with decades of operations and is headquartered in Germany. Company B is a private company established less than ten years ago and headquartered in the United States.
4. Company C is a multinational company specialized in the development and upscaling of complex API production processes, as well as in the production of small molecule APIs for generic industry. Company C was a private company formed recently and headquartered in Germany.
5. Company D is a multinational biopharmaceutical company with a business unit focusing on CDMO services. Its capabilities includes development and manufacture of biologics and small molecule APIs as well as drug product services. Company D is a public company established ten years ago and headquartered in the United States.

6. Company G is a CDMO service provider focusing on the development and manufacturing of oncology drugs with high potency and cytotoxic characteristics for the pharmaceuticals industry. Company G is a private company with decades of operations and headquartered in Italy.
7. Company H is a CDMO service provider with expertise in development sciences, delivery technologies, and multi-modality manufacturing for the pharmaceutical industry. Company H is a public company with decades of operations and headquartered in the United States.
8. Company I is a multinational CDMO service provider offering services including drug discovery solutions, process & pharmaceutical development services, clinical trial supplies, commercial supply of APIs, and finished dosage forms. Company I is a public company with decades of operations and headquartered in India.
9. Company J is a CDMO service provider providing process development and cGMP production in cell culture, microbial fermentation and gene therapies for pharmaceutical companies. Company J is a private company formed more than ten years ago and headquartered in the United States. The parent company of Company J is a public company.
10. *Company K only provides drug product services for ADC products. Company K is a global CDMO service provider providing scientific expertise, sterile contract manufacturing solutions, parenteral delivery systems, and customized support services for pharmaceutical companies. Company K is a public company with more than ninety years of operations and headquartered in the United States.

Source: Frost & Sullivan Analysis; Respective Companies' Public Filings/Disclosures

The following table sets forth further details of top three players in the China ADC outsourcing service market in terms of revenue in 2022.

Certain Details of Top 3 China ADC Outsourcing Service Players

Company	ADC dedicated Process			Full spectrum of ADC production facilities located within 1-2 hours driving	Revenue, million RMB	Market share in China
	R	D	M			
XDC The Bioconjugation Leader	Y	Y	Y	Y	982.6	69.5%
Company E	N	Y	Y	Y[1]	117.8	8.3%
Company F	N	Y	Y	Y[2]	32.1	2.3%

Notes:

1. ADC production facilities locate in Yantai, China.
2. ADC production facilities locate in Suzhou, China. R: Research; D: Development, M: Manufacture.
3. Company E is a China-based company that provides CDMO services primarily for biologics including antibodies and antibody-drug conjugates. Company E is a private company established ten years ago and headquartered in China.
4. Company F is a China-based biopharmaceutical company that is dedicated to developing and commercializing oncology drugs. It also provides innovative drug CDMO services for pharmaceuticals. Company F is a public company with more than a decade of operations and headquartered in China.

Source: Companies' Official Websites and Disclosures, Annual Reports, Frost & Sullivan Analysis

In addition, our Company stands out as the sole global player offering dedicated full-spectrum capabilities throughout the entire discovery, development, and manufacturing process of ADCs. The following table sets forth a comprehensive comparison of capabilities of top global ADC outsourcing service players as of June 30, 2023.

Comparison of Capabilities of Top Global ADC Outsourcing Service Players

Company	Capabilities				ADC Dedicated Process			Full spectrum of ADC production facilities located within 1-2 hours driving
	mAb	Payload-linker	Conjugation	DP (Drug product)	R	D	M	
XDC The Bioconjugation Leader	√	√	√	√	√	√	√	Yes
Company A	√	√	√	√		√	√	No
Company B	√	√	√			√	√	No
Company C		√	√			√	√	No
Company D	√	√	√	√		√	√	No
Company G	√	√	√	√		√	√	Yes
Company H	√		√	√		√	√	No
Company I		√	√	√	√	√	√	No
Company J	√			√		√	√	No
Company K				√		√	√	No

Source: Frost & Sullivan Analysis; Respective Companies' Public Filings/Disclosures

Following the global trend of high demand of ADC outsourcing services, China ADC outsourcing services market will continue its upward trajectory, reaching an estimated value of RMB$16.5 billion by 2030, with a CAGR of 35.9% from 2022 to 2030. Our Company holds the No.1 position in China's ADC

outsourcing services market in both revenue and the number of integrated projects for ADCs and other bioconjugates in 2022. Our Company's market leading position is highlighted by a significant market share of approximately 69.5% by revenue for 2022 in the China market.

It is likely that as the ADC industry continues to grow, CRDMO companies currently providing payloads/payload-linkers components or antibody components for ADC would expand their capabilities to provide full spectrum ADC CRDMO services and compete with the Company. However, as discussed in greater detail below, new players looking to tap into the full-spectrum ADC outsourcing services market would need to overcome the entry barriers and accumulate interdisciplinary know-how and capabilities that span across biologics, small molecules and conjugations. It takes great efforts for biologics focused outsourcing service providers to master chemical drugs capabilities and expertise for payload-linkers, and vise versa. In addition, with years of cultivation of client relationship and collaboration, market leading players such as our Company have established a solid and royal client base. Accordingly, CRDMO companies currently focusing on providing only payload-linkers components or antibody components for ADC would need to re-establish their credentials and expertises to persuade the client to change their services provider.

Entry barriers and key success factors in the ADC outsourcing services market

The following factors present entry barriers and key success factors that contribute to the dynamic and competitive ADC outsourcing services market.

- ***Research, development and manufacturing expertise across modalities*** — The development of ADCs requires interdisciplinary capabilities and expertise in both biologics and small molecules, which requires seamless coordination among different steps of development. To advance an ADC project from DNA synthesis to IND, the industry timeline typically ranges from 24 to 30 months involving different outsourcing service providers. Companies with integrated comprehensive capabilities dedicated for ADC development enjoy unparalleled advantages by saving time and costs while ensuring superior quality control.

- ***Facilities with integrated capabilities*** — As ADC development and manufacturing requires specialized facilities for different components and conjugation process, suppliers with integrated capabilities in both biologics and small molecules, across the supply chain from discovery to manufacturing are key in ADC outsourcing services. Companies operating facilities with integrated capabilities can effectively reduce logistical challenges, shorten ADC production time with assured quality and reduced cost. In addition, as a matter of practice, there is a trend of domestic regulations that strongly favor centralized manufacturing of biologics drugs, which in term is enabled by proximately located facilities with integrated capabilities.

- ***Comprehensive technical capabilities and capacity to support diversified needs*** — Players with integrated and comprehensive technology toolbox, characterized by extensive experience in a myriad of bioconjugates and their components, conjugation technologies, as well as scale-up capabilities can effectively deliver quality results efficiently for the discovery and development process. Moreover, world-class laboratories and GMP manufacturing facilities are necessary to handle highly toxic compounds safely, including but not limited to the facilities designed to handle Occupational Exposure Band 5 ("**OEB 5**") substances, ranging from milligrams to kilograms.

- ***Highly regulated process requiring proven quality track record*** — The strict and complex quality assurance standards mandated by regulatory bodies, coupled with the protracted approval process, have elevated barriers to entry for new entrants in the market. Customers, especially global leading pharmaceutical companies, would prefer to partner with outsourcing players that possess GMP quality track records and advanced quality control systems. Only the most exceptional players are able to achieve a proven track record in meeting customer specifications and applicable regulatory standards, and as a result to secure long-term contracts with existing clients and attract new ones.

The R&D of ADCs requires extensive biological, chemical and manufacturing know-how and capabilities that span across biologics, small molecules and bioprocessing. The increasing development and manufacturing needs for ADCs are expected to demand more outsourcing services from ADC CRDMOs with fully integrated comprehensive capabilities that enable the rapid advancement of ADC candidates. Our Company stands out as a global ADC outsourcing service provider with full-spectrum capabilities, encompassing discovery, development, and manufacturing, as well as facilities conveniently located within a 1-2 hour driving distance.

Market trends and growth drivers of ADC outsourcing services market

With the rise in R&D investments of the global ADC market, the demand for outsourcing services for ADC and other bioconjugates development will continue to grow. Outsourcing service providers with integrated comprehensive capabilities that are able to accelerate development timelines and ensure high quality for clients have rapidly gained market share in the past three years and are expected to continue to lead the outsourcing services market growth. As ADC-focused biotech companies in China continue to seek global partners, they are expected to partner with leading CRDMOs with stringent quality standard and global reputation. Capacities are expected to increase globally for discovery, development, and manufacturing of ADC and other bioconjugate drugs.

The following is a summary of the key growth drivers that are expected to further contribute to the global ADC outsourcing services market.

- ***Continuous innovation and increasing R&D spending in ADC and broader bioconjugates*** — The continuous innovation in conjugation technology and ADC drug development is expected to further drive the high demand for outsourcing services. Other than ADC, broader bioconjugate drugs with novel carriers and payload-linkers targeting expanding therapeutic areas require continuous support from outsourcing service providers, especially those with integrated comprehensive service capabilities that can provide efficient and reliable solutions.

- ***Increasing demand for efficient supply chain management*** — The complicated discovery, development and manufacturing process requires interdisciplinary expertise in both biologics and small molecule compounds. The ability to efficiently manage the complex supply chain to ensure smooth transition between steps with assured quality is increasingly important for pharmaceutical companies. Outsourcing service providers with strong capabilities in supply chain management, especially those with strategically located facilities within geographical proximity, are expected to benefit from the increasing demand.

- ***Continuous technology improvement*** — As the industry evolves and expands from ADCs to broader bioconjugates, outsourcing service providers with innovative technologies focused on developing conjugation technology for novel linkers, new carriers and payloads would be in increasing demand. Leading players with cutting-edge technologies and proprietary conjugation platforms can provide customers with various choices in the fast-growing bioconjugates development process, which is critical for biopharmaceutical companies in its discovery and development process.

OVERVIEW

Our history can be traced back to 2013 when the WXB Group recognized the opportunities associated with ADCs and the ADC outsourcing services market, and commenced the ADC CRDMO business internally within its BCD business unit for the research, development and manufacturing of ADCs. The ADC CRDMO business was established and remained as an internal business unit within the WXB Group under its BCD business unit as the ADC market in China was still at its early stages. In 2018, with the take-off of the ADC drug market, the WXB Group established a separate and dedicated ADC facility in Wuxi to meet to the customers' growing interests in ADC development.

Our Company was incorporated in December 2020 in the Cayman Islands and is the holding company of our Group. For further details of the incorporation and shareholding change of our Company, please see "— Corporate Development and Reorganization" in this section below. We are a leading CRDMO which provides fully integrated one-stop CRDMO services including discovery, process development and GMP manufacturing for bioconjugates, monoclonal antibody intermediates and payload-linkers associated with bioconjugates.

The [**REDACTED**] constitutes a [**REDACTED**] of our Group from WuXi Biologics under Practice Note 15 to the Listing Rules. The proposal in relation to the [**REDACTED**] was submitted by WuXi Biologics to the Stock Exchange for approval pursuant to Practice Note 15 to the Listing Rules and the Stock Exchange has confirmed that WuXi Biologics may proceed with the [**REDACTED**]. WuXi Biologics and our Company will comply with the requirements of the Listing Rules and respective articles of associations regarding the [**REDACTED**] and [**REDACTED**] as and when necessary. For further details of the [**REDACTED**], please see "— [**REDACTED**] of our Group from WuXi Biologics" in this section below.

KEY BUSINESS MILESTONES

The following is a summary of our key business development milestones in our corporate and business development:

Year	Event
2013	We signed the first ADC CMC contract and commenced the ADC CRDMO business internally within the WXB Group's BCD business unit
2016	We completed our first NMPA IND filing for our customer
2018	We established a separate and dedicated ADC facility, DP3, in Wuxi, the PRC
February 2019	We established our proprietary WuXiDAR4 technology platform, further enriching our portfolio of conjugation technologies
April 2019	We commenced partnership with our first EU customer, NBE-Therapeutics, a Swiss biotech company subsequently acquired by Boehringer Ingelheim, on the development and manufacturing of NBE-Therapeutics' first ADC product demonstrating our strong R&D capability and service quality

Year	Event
August 2019	Our ADC facility, DP3, in Wuxi, the PRC, commenced GMP manufacturing
February 2020	We obtained the drug manufacturing license from the NMPA
December 2020	Our Company was incorporated in the Cayman Islands
April 2021	We were presented with the "Bioprocessing Excellence in Antibody and ADC Therapeutics Manufacturing in the Greater China Region" award by the IMAPAC
May 2021	We entered into equity subscription agreement with WuXi Biologics and STA Pharmaceutical in relation to subscription of our Shares, upon completion of which we were owned as to 60% by WuXi Biologics and 40% by STA Pharmaceutical, respectively
July 2021	We entered into agreements for the transfers of BCD business unit and XDC Wuxi and the acquisition of the Payload & Linker Business to strengthen our capabilities
August 2022	Our Shanghai facilities began operations, greatly improving our discovery and PD capacities
October 2022	We received the runner up prize in the "Best Contract Manufacturing Provider" category at the 2022 World ADC Awards
November 2022	We established XDC Singapore, an important step in the implementation of our "global dual sourcing" strategy and to build a manufacturing base in Singapore
September 2023	Our new ADC facility in Wuxi formally commenced operations, strengthening our in-house discovery and development capabilities and manufacturing capacity
October 2023	We won the "Best Contract Development Manufacturing Organization (CDMO)" prize at the 2023 World ADC Awards

OUR SHAREHOLDERS

WuXi Biologics

As of the Latest Practicable Date, our Company was held directly by WuXi Biologics as to 60%. WuXi Biologics is an exempted company incorporated with limited liability in the Cayman Islands, and its shares have been listed on the Main Board of the Stock Exchange since June 2017 (HKEx stock code: 2269).

The WXB Group is a leading global fully-integrated biologics contract research, development and manufacturing organization, 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 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

As of the Latest Practicable Date, our Company is held indirectly by WuXi AppTec as to 40%. WuXi AppTec is a joint stock company with limited liability incorporated in the PRC, and its A shares have been listed on the Shanghai Stock Exchange since May 2018 (SSE stock code: 603259) and its H shares have been listed on the Main Board of the Stock Exchange since December 2018 (HKEx stock code: 2359).

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.

Relationship with and among our Shareholders

Prior to the respective [**REDACTED**] of WuXi Biologics and WuXi AppTec on the Stock Exchange and/or the Shanghai Stock Exchange (in the case of WuXi AppTec), the businesses of WXB Group and the WXAT Group were part of the business of WuXi PharmaTech (Cayman) Inc. WuXi PharmaTech (Cayman) Inc. was co-founded by Dr. Ge Li, other founding individuals and certain other Independent Third Parties, and is a Cayman Islands-incorporated company which was listed on the New York Stock Exchange and subsequently delisted on December 10, 2015.

Upon [**REDACTED**], our Company will remain a consolidated subsidiary of WuXi Biologics, and an associate of WuXi AppTec, both of which will continue to be our Controlling Shareholders. To the best of our Company's knowledge, as of June 30, 2023, Dr. Ge Li, through Biologics Holdings, and other founding individuals collectively control approximately 13.75% of the total voting rights in WuXi Biologics; on the other hand, Dr. Ge Li and other founding individuals collectively control approximately 21.04% of the total voting rights of WuXi AppTec as of June 30, 2023. For more details of the relationships of WuXi Biologics, WuXi AppTec and our Group, please see the section headed "Relationship with our Controlling Shareholders".

CORPORATE DEVELOPMENT AND REORGANIZATION

1. Incorporation of our Company

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on December 14, 2020. The authorized share capital of our Company was US$50,000 divided into 50,000 ordinary Shares with a par value of US$1.00 each. Upon incorporation, one Share was allotted and issued to an independent third party at US$1.00 and on the same day, the one Share was transferred to WuXi Biologics at US$1.00.

2. Capital Contribution and First Allotment of Shares

On May 13, 2021, our Company entered into an equity subscription agreement with WuXi Biologics and STA Pharmaceutical, an indirect non-wholly-owned subsidiary of WuXi AppTec, pursuant to which, WuXi Biologics and STA Pharmaceutical agreed to subscribe for 60% and 40% shareholding interest in our Company and make capital contributions (the "**Capital Contribution**") of US$120 million and US$80 million, respectively, to our Company.

On June 4, 2021, our Company, after repurchase of one ordinary share from WuXi Biologics at par value, issued and allotted three new ordinary shares to WuXi Biologics and two new ordinary shares to STA Pharmaceutical, following which our Company has been owned by WuXi Biologics and STA Pharmaceutical as to 60% and 40%, respectively.

3. Shares Subdivision, Second Allotment of Shares and Interim Restructuring Steps

On September 13, 2021, our Company subdivided each ordinary share of a par value of US$1.00 per share to 20,000 ordinary shares of a par value of US$0.00005 per share. The authorized share capital of our Company was changed to US$50,000 divided into 1,000,000,000 ordinary shares of a par value of US$0.00005 each. On September 29, 2021, additional 599,940,000 Shares and 399,960,000 Shares were issued and allotted at par to WuXi Biologics and STA Pharmaceutical, respectively. After the subdivision and the second allotment of shares, WuXi Biologics and STA Pharmaceutical continued to hold 600,000,000 and 400,000,000 Shares, representing 60% and 40% shareholding interest in our Company, respectively.

To enable STA Pharmaceutical to complete the requisite overseas direct investment procedures in connection with the Capital Contribution (the "**ODI Procedures**"), our Company cancelled and forfeited the 400,000,000 Shares held by STA Pharmaceutical on January 28, 2022, and re-issued the 400,000,000 Shares to STA Pharmaceutical on June 8, 2022 after the ODI Procedures and the Capital Contribution by STA Pharmaceutical were duly completed (the "**Interim Period**"). Notwithstanding that there was not any written agreement entered or general meeting held during the Interim Period, WuXi Biologics and STA Pharmaceutical had agreed by way of oral agreement before the Interim Period (which was later documented in writing after the Interim Period) that the above interim restructuring steps were merely a procedural necessity conducted solely for the purpose of enabling STA Pharmaceutical to complete the ODI Procedures required for making the Capital Contribution and did not alter STA Pharmaceutical's entitlement to 40% of the beneficial ownership and voting power in our Company during the Interim Period. As confirmed by the Company's legal advisors, there is no prohibition or restriction under the laws of the Cayman Islands against WuXi Biologics and STA Pharmaceutical in respect of the entering into of the oral agreement and the arrangement contemplated thereunder, and such agreement, which created and bestowed upon STA Pharmaceutical 40% of the voting power in our Company during the Interim Period, is a valid and legally binding agreement between WuXi Biologics and STA Pharmaceutical. Further, nothing has come to the attention of the [**REDACTED**] to disagree with the above view of the Company's legal advisors. As a result, STA Pharmaceutical had continued to be fully recognized as a 40% beneficial shareholder of our Company with the right to appoint two out of five members of the Board under the articles of association of our Company, and the two Directors appointed by STA Pharmaceutical had remained in office throughout the Interim Period.

4. Establishment of [REDACTED] Share Option Schemes

Our Company adopted the 2021 [**REDACTED**] Share Option Scheme and the 2023 [**REDACTED**] Share Option Scheme in November 2021 and March 2023, respectively, to grant share options to eligible participants as incentives or rewards for their contribution to our Group so as to recruit and retain high-caliber employees and attract human resources that are valuable to our Group. For details and principal terms of the two schemes, please refer to "Statutory and General Information — E. [**REDACTED**] Share Option Schemes" in Appendix IV to this document.

5. Increase of Authorized Share Capital

On June 30, 2023, in anticipation of the [**REDACTED**], our Company increased our authorized Share capital from US$50,000 divided into 1,000,000,000 ordinary Shares of a par value of US$0.00005 each to US$500,000 divided into 10,000,000,000 ordinary Shares of a par value of US$0.00005 each.

OUR SUBSIDIARIES

Set forth below are certain details of our subsidiaries:

Entity	Date and place of incorporation	Authorized share capital/ registered capital	Issued/ Paid up capital	Equity interest attributable to our Group	Principal activities
XDC Hong Kong . .	June 7, 2021, Hong Kong	HK$1	HK$1	100%	Investment holding
XDC Wuxi.	March 13, 2018, PRC	US$200,000,000	US$162,500,000	100%	Manufacturing of ADC drug substances and ADC drug products
XDC Shanghai . . .	March 31, 2021, PRC	RMB30,000,000	RMB30,000,000	100%	Research and process development of ADC and process development and manufacturing of antibodies
XDC Changzhou . .	July 2, 2021, PRC	RMB300,000,000	RMB300,000,000	100%	Discovery, process development and manufacturing of payload-linkers

Entity	Date and place of incorporation	Authorized share capital/ registered capital	Issued/ Paid up capital	Equity interest attributable to our Group	Principal activities
XDC Singapore . . .	November 16, 2022, Singapore	US$5,000,000	US$5,000,000	100%	Discovery and development of drug substances and drug projects upon the commencement of its facility in Singapore in 2026

XDC Hong Kong

XDC Hong Kong was incorporated under the laws of Hong Kong with limited liability on June 7, 2021 and is directly wholly-owned by our Company. XDC Hong Kong is primarily engaged in investment holding.

XDC Wuxi

XDC Wuxi was established in the PRC with limited liability on March 13, 2018 with a registered share capital of USD200 million and is directly wholly-owned by XDC Hong Kong. XDC Wuxi is primarily engaged in the manufacturing of ADC drug substances and ADC drug products.

XDC Shanghai

XDC Shanghai was established in the PRC with limited liability on March 31, 2021 with a registered share capital of RMB30 million and is directly wholly-owned by XDC Wuxi, a wholly-owned subsidiary of our Company. XDC Shanghai is primarily engaged in the research and process development of ADC and process development and manufacturing of antibodies.

XDC Changzhou

XDC Changzhou was established in the PRC with limited liability on July 2, 2021 with a registered share capital of RMB300 million and is directly wholly-owned by XDC Wuxi, a wholly-owned subsidiary of our Company. XDC Changzhou is primarily engaged in the discovery, process development and manufacturing of payload-linkers.

XDC Singapore

XDC Singapore was established under the laws of Singapore with limited liability on November 16, 2022 and is directly wholly-owned by XDC Hong Kong, a directly wholly-owned subsidiary of our Company. XDC Singapore will primarily engage in the discovery and development of drug substances and drug projects upon the commencement of its facility in Singapore by 2026.

MAJOR ACQUISITION AND TRANSFERS DURING THE TRACK RECORD PERIOD

Transfer of XDC Wuxi

On July 5, 2021, XDC Hong Kong and Biologics Investment entered into an equity transfer agreement, pursuant to which XDC Hong Kong was transferred the entire shareholding interest in XDC Wuxi by Biologics Investment at a total consideration of RMB404.41 million. The consideration was determined with reference to the valuation of all the issued share capital of XDC Wuxi using the income approach and the market approach, and was settled on April 21, 2022. As XDC Wuxi was considered to be under the common control of our Group and the Remaining WXB Group since the beginning of the Track Record Period, the items under the financial statements in relation to XDC Wuxi have been combined into the consolidated financial statements of our Group. As such, the transfer was accounted for as a business combination under common control.

Acquisition of the Payload & Linker Business

On July 20, 2021, XDC Changzhou entered into an asset transfer agreement with STA Changzhou, pursuant to which, XDC Changzhou had acquired the Payload & Linker Business (which include the customer resources, personnel and assets relating to such business) of STA Pharmaceutical at a total consideration of RMB280 million, which was determined with reference to the valuation of the Payload & Linker Business as of December 31, 2020 using the income approach. STA Changzhou is a wholly-owned subsidiary of STA Pharmaceutical, being a controlling shareholder of our Company, and the consideration was determined (i) with reference to an asset valuation report prepared by an independent professional valuer, and (ii) based on arm's length negotiation between our Group and STA Changzhou. The transaction was subsequently settled in April 2022.

As part of the acquisition, STA Changzhou transferred to us assets including lab and office equipment as well as other items essential for the operation of the Payload & Linker Business, such as computers, furniture and various lab and office apparatus. Furthermore, we have acquired from STA Changzhou the technical know-how of payload-linker synthesis, using chemical substances and inhibitors such as MMAE and Exatecan mesylate as payloads, and drug-linkers conjugates such as vcMMAE and McMMAF as payload-linkers. During the process of transfer, all core personnel of the Payload & Linker Business, being approximately 50 employees, including technicians and operators of the payload-linker laboratory brought with them know-how of the Payload & Linker Business (including the technical know-how on the handling and utilization of chemicals as mentioned above), have terminated their employment relationship with STA Changzhou and entered into new employment agreements with us. Such technical know-how, being intangible in nature, was recognized as goodwill of the Payload & Linker Business under the relevant accounting standards applied. We have also been transferred certain trade secrets (such as the clients/partners' project specifications) and documents relating to the Payload & Linker Business, including customers' contracts and information, internal reports on operational and customer practices and information on procurement, among others. We are satisfied that such transfer together with our leasing of the Changzhou facility from STA Changzhou allow us to have independent and sufficient and non-GMP payload-linker manufacturing, development and synthesis capabilities, which will be further supplemented and expanded by our new ADC facility in Wuxi which has commenced operation in September 2023.

For the financial information on the acquisition of the Payload & Linker Business of our Group, please refer to note 36 in Appendix I to this document.

Transfer of the BCD business unit

On July 20, 2021, XDC Shanghai entered into an asset transfer agreement with Biologics (Shanghai), pursuant to which, XDC Shanghai was transferred the BCD business unit of the Remaining WXB Group by Biologics (Shanghai) at a total consideration of approximately RMB15.59 million. The assets under the asset transfer agreement have been in use by the BCD business unit in its laboratory in Shanghai and the legal rights were transferred from Biologics (Shanghai) to XDC Shanghai. The consideration was determined (i) with reference to an asset valuation report prepared by an independent professional valuer using the income approach and the market approach, (ii) the valuation of the relevant assets of the BCD business unit of the Remaining WXB Group using the cost approach; and (iii) based on arm's length negotiation between our Group and Biologics (Shanghai). As of September 30, 2023 approximately RMB5.69 million of the consideration remained outstanding and is expected to be settled before the [**REDACTED**]. Biologics (Shanghai) is a wholly-owned subsidiary of WuXi Biologics, being a controlling shareholder of our Company. As the BCD business unit was considered to be under the common control of our Group and the Remaining WXB Group since the beginning of the Track Record Period, the items under the financial statements in relation to the BCD business unit have been combined into the consolidated financial statements of our Group. As such, the transfer was accounted for as a business combination under common control.

The transfers of XDC Wuxi and the BCD business unit and the acquisition of the Payload & Linker Business allowed our Group to provide "one-stop" services to better satisfy the growing demand of global customers for research and development and manufacturing services related to such new drug molecules and also simplify the CMC process and supply chain management of ADC from development to commercialization and thus, shorten the drug launching process of our business partners so as to help patients earlier.

Save as disclosed above, we have not conducted any other acquisitions, disposals, transfers or mergers that we consider to be material to us since our incorporation and during the Track Record Period.

[**REDACTED**] OF OUR GROUP FROM WUXI BIOLOGICS

Our Group has experienced tremendous financial growth throughout the Track Record Period and it is expected that the strong growth momentum would continue and be appealing to an investor base that focuses on high growth opportunities in the ADC CRDMO business, supported by exponential growth in the ADC drug market. In addition, our Group has already established itself as a CRDMO globally dedicated to providing integrated and comprehensive services for ADCs and other bioconjugates, the development and manufacturing processes for which proven to be challenging with high entry barriers. The [**REDACTED**] constitutes a [**REDACTED**] of our Group from WuXi Biologics under Practice Note 15 to the Listing Rules. The proposal in relation to the [**REDACTED**] was submitted by WuXi Biologics to the Stock Exchange for approval pursuant to Practice Note 15 to the Listing Rules and the Stock Exchange has confirmed that WuXi Biologics may proceed with the [**REDACTED**]. WuXi Biologics and our Company will comply with the requirements under Practice Note 15 to the Listing Rules and the applicable requirements of the Listing Rules regarding the [**REDACTED**].

Practice Note 15 requires WuXi Biologics to have due regard to the interests of its existing shareholders by providing them with an [**REDACTED**] to the Shares, either by way of a [**REDACTED**] of existing Shares or by way of a [**REDACTED**] in the [**REDACTED**] of existing or new Shares (the "[**REDACTED**]"). Practice Note 15 provides that the respective minority shareholders of WuXi Biologics may by resolution in general meeting resolve to waive the [**REDACTED**]. WuXi Biologics will provide the [**REDACTED**] to the [**REDACTED**] by way of the [**REDACTED**]. For further details of the [**REDACTED**], please see "Structure of the [**REDACTED**]".

In view of this, our Directors are of the view that the [**REDACTED**], if proceeds, is in the interests of our Group, WuXi Biologics and its shareholders as a whole and the [**REDACTED**] will position each of the Remaining WXB Group and our Group better for growth in their respective businesses and deliver clear benefits to both for the following reasons:

- the [**REDACTED**] will allow WuXi Biologics and its shareholders an opportunity to realize the value of investment in our Group under a separate standalone platform for ADC CRDMO business, and will improve the operational and financial transparency of each of the WXB Group and our Group, which will enable the market to appraise and assess the value and performance of our Group more effectively, and will in turn unlock the value of both our Group and the WXB Group;

- the Remaining WXB Group and our Group will operate in different business scope and intend to have different growth paths and different business strategies without being in competition against each other. The [**REDACTED**] will enable our Group to build its identity as a separately [**REDACTED**] group with the following benefits:

  (i) **A more defined business focus and corporate profile.** A more defined and streamlined business will enhance our Company's profile amongst client and partners, increase our ability to attract strategic investors interested in the ADC CRDMO business and potentially forming strategic partnerships directly with our Group;

  (ii) **A separate fund-raising platform.** The [**REDACTED**] would allow our Group to gain direct access to capital markets for equity and/or debt financing to fund its existing operations and future expansion without reliance on the WXB Group, thereby improving its operating and financial management efficiencies, and also allowing the WXB Group to optimize its capital allocation; and

  (iii) **To broaden its investor base through the** [**REDACTED**]**.**

    - leveraging in the attraction of having a standalone [**REDACTED**] platform, the [**REDACTED**] will increase the brand awareness of "WuXi" and in turn benefit the businesses of our Group and the WXB Group;

    - the [**REDACTED**] will enable more focused development, strategic planning and better allocation of resources for our Group and the Remaining WXB Group with respect to their respective businesses. Both our Group and the Remaining WXB Group will benefit from the efficient decision-making process under the separate management structures geared towards their respective needs for seizing business opportunities, especially with a proven and dedicate management team for our Group to focus on its development, which will improve its ability to attract and motivate talents;

    - the [**REDACTED**] will lead to a more direct alignment of its management's responsibilities and accountability with its operating and financial performance. This is expected to result in enhanced management focus, which should in turn lead to improved decision-making process, faster response time to market changes and increased operational efficiency. The management of our Company will be under heightened scrutiny from the investor community and it will be possible to measure their performance against the stock price performance of our Company going forward. It will also be possible to link management incentives to such performance, thereby increasing management motivation and commitment;

- the [**REDACTED**] will provide clarity of the credit profile of our Group for rating agencies and financial institutions that wish to analyze and lend against the credit of the ADC CRDMO business; and

- as our Company is expected to remain as a subsidiary of WuXi Biologics upon completion of the [**REDACTED**] and the [**REDACTED**], the WXB Group will continue to benefit from any potential upside in the business of our Group through the consolidation of our Group's accounts and receipt of dividend income from our Group.

The [**REDACTED**] by WuXi Biologics complies with the requirements of Practice Note 15 of the Listing Rules. The [**REDACTED**] is not subject to shareholder's approval of WuXi Biologics.

PUBLIC FLOAT REQUIREMENTS

Upon completion of the [**REDACTED**] (assuming that [**REDACTED**] is not exercised), the Shares held our Controlling Shareholders will not be counted towards public float. We have applied to the Stock Exchange to request the Stock Exchange to exercise its discretion under Rule 8.08(1)(d) of the Listing Rules, and the Stock Exchange has granted our Company a waiver from strict compliance with the requirements of Rule 8.08(1)(a) of the Listing Rules. For details, please see "[**REDACTED**]."

REGULATIONS ON OVERSEAS [REDACTED]

On February 17, 2023, the China Securities Regulatory Commission (the "**CSRC**") released the Trial Administrative Measures of Overseas [**REDACTED**] and [**REDACTED**] by Domestic Companies (境內企業境外發行證券和上市管理試行辦法) and five supporting guidelines (together, the "**Trial Measures**"), which came into effect on March 31, 2023. Pursuant to the Trial Measures, domestic companies that seek to list overseas, both directly and indirectly, should fulfill the filing procedure and report relevant information to the CSRC. Specifically, following the principle of substance over form, if an issuer meets both of the following criteria, its overseas [**REDACTED**] and [**REDACTED**] will be deemed as an indirect overseas [**REDACTED**] and [**REDACTED**] by a domestic enterprise: (1) any of the total assets, net assets, revenues or profits of the domestic operating entities of the issuer in the most recent accounting year accounts for more than 50% of the corresponding figure in the issuer's audited consolidated financial statements for the same period; and (2) its major operational activities are carried out in China or its main places of business are located in China, or a majority of the senior management in charge of operation and management of the issuer are Chinese citizens or are domiciled in China. The filing is required to be conducted within three business days after the submission of the application for [**REDACTED**] and [**REDACTED**] overseas to the overseas regulators. Our PRC Legal Advisor is of the view that this [**REDACTED**] shall be deemed as an indirect overseas [**REDACTED**] and [**REDACTED**] by PRC domestic enterprise, and we are required to submit filings with the CSRC within three business days after we submit application for this [**REDACTED**]. On October 19, 2023, the CSRC issued a notification on our completion of the PRC filing procedures for the [**REDACTED**] of our Shares on the Stock Exchange and the [**REDACTED**]. As advised by our PRC Legal Advisor, no other approvals from the CSRC are required to be obtained for the [**REDACTED**] of our Shares on the Stock Exchange. We will continue to seek guidance from the relevant regulator and/or legal advisors to ensure our compliance in all respects. For details, please see "Regulatory Overview — Regulations on Overseas [**REDACTED**]" in this document.

M&A RULES

Under the M&A Rules issued on August 8, 2006, effective as of September 8, 2006 and amended in June 2009, a foreign investor is required to obtain necessary approvals when it:

(a) acquires the equity of a domestic non-foreign invested enterprise thereby converting the domestic enterprise into a foreign-invested enterprise;

(b) subscribes for the increased capital of a domestic non-foreign invested enterprise so as to convert the domestic enterprise into a foreign-invested enterprise;

(c) establishes a foreign-invested enterprise which purchases and operates the assets of a domestic enterprise; or

(d) purchases the assets of a domestic enterprise and injects those assets to establish a foreign invested enterprise.

Our PRC Legal Advisor has advised that, given that (i) the CSRC currently has not issued any definitive rule or interpretation concerning whether the [**REDACTED**] and [**REDACTED**] of our Company is subject to this regulation and (ii) our wholly-owned PRC subsidiaries were acquired when they were foreign-invested enterprises or established by foreign-invested enterprises (as the case may be), rather than through a merger or acquisition of a domestic company as defined under the M&A Rules, they advise that the establishment and acquisition of our wholly-owned subsidiaries and the reorganization are not subject to the M&A Rules, and the [**REDACTED**] and [**REDACTED**] of our Company does not require approvals from the CSRC and MOFCOM under the M&A Rules. However, the interpretation and enforcement of the M&A Rules and other PRC laws and regulations are constantly evolving and are subject to the discretion and judgment of the administrative and judicial authorities implementing and enforcing such laws and regulations on a case-by-case basis and we cannot assure you that relevant PRC governmental authorities, including the CSRC and MOFCOM, would reach the same conclusion as our PRC Legal Advisor. For further information about the risks associated with the CSRC approval, please see "Risk Factors — Risks Relating to Conducting Business in China and Other Jurisdictions Where We Operate — Our potential growth through acquisitions in China is subject to the procedures established under China's M&A rules, laws and certain other PRC regulations, which could make it more difficult for us to complete such acquisitions" in this document.

SAFE REGISTRATION IN THE PRC

Pursuant to the SAFE Circular on Relevant Issues Concerning Foreign Exchange Administration of Overseas Investment and Financing and Round-trip Investments Conducted by Domestic Residents through Special Purpose Vehicles (國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知) ("**SAFE Circular 37**"), promulgated by SAFE and became effective on July 4, 2014, (a) a PRC resident must register with the local SAFE branch before he or she contributes assets or equity interests in an overseas special purpose vehicle (the "**Overseas SPV**") that is directly established or indirectly controlled by the PRC resident for the purpose of conducting investment or financing, and (b) following the initial registration, the PRC resident is also required to register with the local SAFE branch for any major change in respect of the Overseas SPV, including, among other things, a change of Overseas SPV's PRC resident individual shareholder(s), the name of the Overseas SPV, terms of operation, or any increase or reduction of the Overseas SPV's capital, share transfer or swap by PRC residents, and merger or division. Pursuant to SAFE Circular 37, failure to comply with these registration procedures may result in penalties.

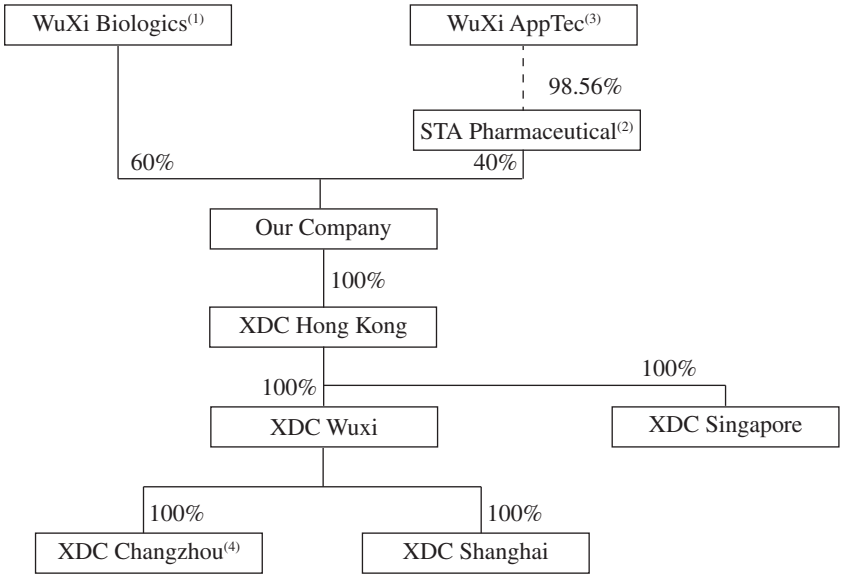
Pursuant to the SAFE Circular on Further Simplification and Improvement in Foreign Exchange Administration Policies on Direct Investment (國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知) ("**SAFE Circular 13**"), which became effective on June 1, 2015 and amended on December 30, 2019, the power to accept SAFE registration was delegated from local SAFE to local banks where the assets or interest in the domestic entity was located.

As advised by our PRC Legal Advisor, the [**REDACTED**], which refers to the separate [**REDACTED**] of the Shares on the Main Board of the Stock Exchange, does not trigger foreign exchange registrations of PRC individual shareholders of our Company pursuant to SAFE Circular 37, since the [**REDACTED**] does not include new offshore investment and financing and roundtrip investments by such PRC individual shareholders, being the activities regulated by SAFE in accordance with SAFE Circular 37. Further, as advised by our PRC Legal Advisor, SAFE Circular 37 is also not applicable to STA Pharmaceutical in respect of its subscription of Shares in our Company, as registrations under SAFE Circular 37 are only applicable to PRC residents in connection with their direct or indirect investment in the overseas special purpose vehicles that are directly established or indirectly controlled by such PRC residents with their legally owned domestic or offshore assets or interests. Instead, STA, as the shareholder of STA Pharmaceutical, is required under applicable PRC laws to comply with, and it has complied with, the requisite overseas direct investment procedures, including the registration and filing procedures with the Ministry of Commerce of the PRC and the National Development and Reform Commission of the PRC and/or their respective local counterparts.

OUR SHAREHOLDING AND CORPORATE STRUCTURE

Immediately after reorganization and as at the date of this document

The following diagram illustrates our shareholding and corporate structure immediately after the reorganization and as at the date of this document:



------ *Denotes indirect shareholding*

(1) WuXi Biologics is a company listed on the Main Board of the Stock Exchange (stock code: 2269), and to the best of our Company's knowledge, as of June 30, 2023, its largest shareholder is Biologics Holdings as to 13.75% shareholding interest. To the best of our Company's knowledge, Dr. Ge Li, through Biologics Holdings, and the other founding individuals, are deemed to be interested in the shares held by Biologics Holdings in WuXi Biologics, representing approximately 13.75% of the shareholding interest in WuXi Biologics.

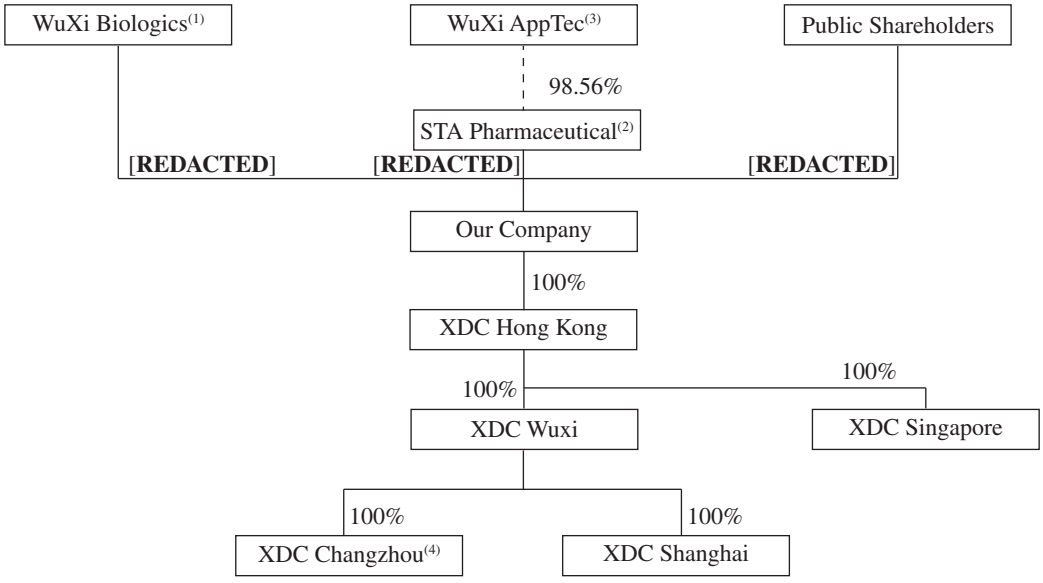
(2) STA Pharmaceutical is directly wholly-owned by STA, which is in turn held as to 98.56% by WuXi AppTec (Shanghai) and WuXi AppTec (Shanghai) is directly wholly-owned by WuXi AppTec.

(3) WuXi AppTec is a company whose A shares are listed on the Shanghai Stock Exchange (stock code: 603259) and H shares are listed on the Main Board of the Stock Exchange (stock code: 2359). To the best of our Company's knowledge, as of June 30, 2023, Dr. Ge Li and the other founding individuals collectively control approximately 21.04% of the total voting rights of WuXi AppTec.

(4) The business of XDC Changzhou is from the acquisition of the Payload & Linker Business. For details, please see "— Major acquisition and transfers during the Track Record Period — Acquisition of the Payload & Linker Business" and Note 36 to Appendix I of this document for the audited financials of the Payload & Linker Business during the Track Record Period.

Immediately Upon the [REDACTED] and [REDACTED]

The following diagram illustrates our shareholding and corporate structure immediately upon the completion of the [**REDACTED**] and [**REDACTED**] (assuming the [**REDACTED**] is not exercised and without taking into account any exercise of the share options granted under the [**REDACTED**] Share Option Schemes):



------ *Denotes indirect shareholding*

Please refer to the notes underneath the corporate and shareholding structure chart of our Group under "Immediately after reorganization and as at the date of this document" above.

OVERVIEW

We are a leading CRDMO focused on the global ADC and broader bioconjugate market and dedicated to providing integrated and comprehensive services. We are the second largest CRDMO for ADCs and other bioconjugates globally in terms of revenue in 2022, according to Frost & Sullivan. Leveraging expertise in both biologics and small molecules, we offer interdisciplinary and comprehensive services, covering bioconjugate discovery, research, development and manufacturing. We provide these services from proximately located and dedicated laboratories and manufacturing facilities, leading to significant reduction of development timeline and costs. As a fully integrated one-stop bioconjugate discovery, development and manufacturing platform, our mission is to continuously enhance our platform, propel and transform the development of the bioconjugate industry, enable global biopharmaceutical partners and benefit patients worldwide.

Our Market Opportunities

ADCs and other bioconjugate drugs constitute a separate modality distinct from small molecules or biologics. Taking ADCs as an example, they consist of a biologic component (the antibody), which is covalently attached, also referred to as conjugated, to a cytotoxic small molecule drug (the payload) via a chemical linker. ADCs are therefore designed to combine the target selectivity of antibodies and the cell-killing potency of highly cytotoxic small molecule drugs. This combinatorial design potentially reduces off-target toxicity of classic chemotherapy while enhancing the efficacy, thereby leading to an improved efficacy and therapeutic window, which is the dose range of a drug that provides safe and effective therapy. Recently, several ADCs have shown favorable efficacy for various cancers and quickly gained market share. The global sales of ADC drugs reached approximately US$7.9 billion in 2022, representing an over 40% CAGR since 2018. With constant advancement in conjugation technologies and expanding bioconjugate component library, bioconjugates are being developed for therapeutic areas in addition to oncology, including autoimmune diseases, infectious diseases, metabolic disorders and beyond.

Riding on the recent trend of transformative advancements in drug design and conjugation technologies, the ADC and bioconjugate drug market is at a growth inflection point. According to Frost & Sullivan, the global ADC drug market size is anticipated to grow to US$64.7 billion in 2030 from US$7.9 billion in 2022 at a CAGR of 30.0%. The expected growth of the global ADC drug market is considerably faster than that of the global biologics drug market (excluding bioconjugates), which is expected to grow at a CAGR of 9.2% during the same period. As of June 30, 2023, 15 ADC drugs have been approved globally, of which 11 have been approved since 2018 and four have been approved since 2021. There has also been a promising pipeline of ADC drugs. As of June 30, 2023, 231 ADC drug candidates around the globe had been advanced to the clinical stage, with 134, 79 and 18 under phase I, II and III clinical trials, respectively, and globally 57 ADC drug candidates entered clinical trials in 2022, according to Frost & Sullivan. It is worth noting that bioconjugates are extending beyond ADC by first conjugating various payloads other than chemical drugs with antibody, and then further to conjugate various carriers other than antibody with various payloads ("**XDC**"). The development of XDC beyond ADC, however, is still at a preliminary stage, facing uncertainties to progress from traditional ADCs to broader bioconjugates and application expansion in terms of timing, market acceptance and likelihood of obtaining approval.

The potential of ADCs and other bioconjugate drugs is also evidenced by high-profile acquisition and licensing activities in the space. According to Frost & Sullivan, there have been over 100 deals involving ADCs since 2022, including the recently announced acquisition of Seagen Inc., a leading biotechnology company specializing in the development of ADCs for cancer treatment, by Pfizer Inc. for a total of approximately US$43 billion. China biotechnology companies have been at the forefront of ADC out-licensing arrangements, according to Frost & Sullivan. Since 2022 and as of June 30, 2023, there had been 10 China pharmaceutical and biotechnology companies that reached 14 ADC out-licensing deals with overseas partners, totaling US$22.0 billion, according to the same source. Of these 10 China companies, eight are our customers.

The development of ADCs and other bioconjugates requires a suite of interdisciplinary capabilities in both biologics and small molecules that are beyond the reach of most biopharmaceutical companies. Therefore, the outsourcing rate of bioconjugate development reached around 70%, which is much higher than the 34% outsourcing rate for other biologics. Furthermore, the logistic difficulties in transporting different bioconjugate components, the stringent requirements for safe manufacturing and handling of cytotoxics, as well as the increasing demand for shortened development timelines, present significant challenges for a vast majority of outsourcing service providers in the space. We believe these challenges are best addressed with an comprehensive CRDMO with integrated service capabilities and geographically proximate facilities like us.

Our Capabilities

Our fully integrated, one-stop bioconjugate platform offers comprehensive CRDMO services, including discovery, process development and GMP manufacturing for bioconjugates, monoclonal antibody intermediates and payload-linkers associated with bioconjugates.

Our integrated discovery service involves protein carrier generation, payload-linker synthesis, conjugation research, *in vitro* and *in vivo* studies, among others. The seamless integration among protein sciences, small molecule and conjugation fields, as well as *in vitro*, *in vivo* efficacy and safety evaluation expertise, make our services unique in the field and allow us to propel the overall bioconjugate discovery and development for our customers and deliver PCCs within as short as 8-10 months from candidate nomination.

Supported by our extensive toolbox of technical capabilities, honed over years of experience working with a variety of bioconjugates and their components, our platform boasts a rich portfolio of conjugation technologies, extensive expertise in payload-linker synthesis and process development, industry-leading process development know-how, comprehensive analytical methods, as well as dedicated and specialized facilities. We have accumulated vast hands-on experience in bioconjugates, generating over 7,000 bioconjugate molecules for our customers incorporating over 500 protein carriers and over 600 payload-linkers. We have completed CMC development and initiated GMP manufacturing using over 10 conjugation technologies for both ADC and other bioconjugates, making our portfolio of conjugation technologies one of the richest among bioconjugate outsourcing service providers, according to Frost & Sullivan. Our patented WuXiDAR4 technologies enable customers to achieve tight control of product homogeneity and lot-to-lot consistency, which in turn improve the pharmacokinetics profile and stability of bioconjugate products and potentially result in better clinical outcomes. Our conjugation expertise goes beyond ADC and encompasses RDC, PDC, ACC, PEGylated protein or peptide, antibody PROTAC conjugate, AOC and fatty-acid conjugate, among others.

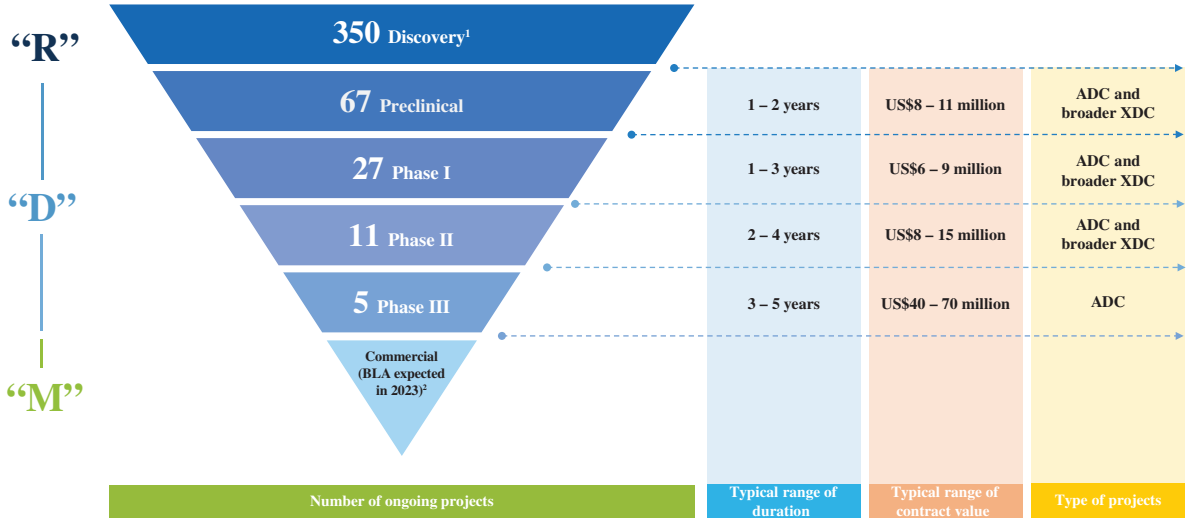
We have also built extensive expertise in payload-linkers, which are critical components of bioconjugates. We not only have developed a rich library of off-the-shelf payload-linkers, but also enable our customers to develop and manufacture a wide variety of tailor-made or proprietary payload-linkers by offering synthesis, process development and GMP manufacturing services.

Our integrated capabilities are also reflected in the one-stop GMP manufacturing of bioconjugates. We strategically offer our services from proximately located operation sites in Wuxi, Shanghai and Changzhou in China, where we have established dedicated and specialized facilities for bioconjugates. As such, we can better manage the supply chain and coordinate development and manufacturing operations, leading to expedited development timelines and improved quality and cost efficiencies for customers. For example, in general, we are able to significantly reduce the standard industry timeline from the antibody DNA sequence to bioconjugate IND filing to approximately 13 to 15 months. Our fully integrated capabilities lay a solid foundation for our comprehensive service offerings that enable our customers to bring innovative bioconjugate therapeutic solutions to patients worldwide with high quality and speed. At the forefront of the global bioconjugate development, we believe our platform will also enable us to address the industry challenges and lead the global development trends of ADCs and other bioconjugates. As an industry recognition of our capabilities, we won the runner-up prize in the "Best Contract Manufacturing (CMO) Provider" category of the 2022 World ADC Awards and the "Best Contract Development Manufacturing Organization (CDMO)" prize at the 2023 World ADC Awards.

Our Achievements

We ranked No. 2 globally and No. 1 in China among CRDMO for ADCs and other bioconjugates in terms of revenue in 2022, according to Frost & Sullivan. Our global market share by revenue increased from 1.8% in 2020 to 4.6% in 2021 and 9.8% in 2022. By the end of 2022, we had 94 ongoing integrated projects, representing over 35% of the total number of outsourced integrated projects for bioconjugates globally in the same year, according to Frost & Sullivan. With our extensive technical capabilities and impeccable track record, we have become a trusted partner leading the bioconjugate development globally with a broad, loyal and fast-growing customer base. We employ an "enable, follow and win the molecule" strategy to not only grow with our existing customers by providing services from an early stage of their product development cycle, but also win new customers as their bioconjugates progress. As of the end of 2020, 2021, 2022 and June 30, 2023, as the result of our "enable" strategy, we had cumulatively progressed 9, 12, 24 and 30 ADC candidates, respectively, from discovery to CMC development. As the result of our "win the molecule" strategy, among the 110 ongoing integrated projects we had as of June 30, 2023, 36 were transferred to us from our customers or their outsourcing service providers. Our diverse and growing customer base includes both innovative biotechnology companies and global pharmaceutical companies, many of which are leading players in the ADC and bioconjugate space with potentially first-in-class or best-in-class pipeline programs. The number of our customers grew significantly from 49 in 2020 to 115 in 2021, 167 in 2022 and 169 in the six months ended June 30, 2023. As of June 30, 2023, we had served 304 customers cumulatively, including most of the major players in the global ADC and bioconjugate market. As of the same date, we had won ADC development contracts for all ADC candidates in China with dual filing of IND and/or BLA in China and the United States, and eight out of the 10 China-based companies that out-licensed their ADC pipelines overseas since 2022 are our customers.

We have a large number of integrated projects for ADCs and other bioconjugates. As of June 30, 2023, we had 110 ongoing integrated projects and helped customers to submit IND applications for 47 ADC candidates globally, and in 2022 alone, we helped customers submit IND applications for 18 ADC candidates globally. We have executed 350 discovery projects since our inception and as of June 30, 2023. The following funnel diagram sets forth the developmental stages and other details of ongoing integrated projects as of June 30, 2023. The duration and contract value of discovery projects can vary significantly due to their nature.



1. It is the cumulative number of discovery projects since our inception and as of June 30, 2023.
2. We have completed process validation, which is a critical step before the BLA submission, for two integrated projects.

We attribute our success to our visionary team of seasoned senior management supported by a pool of talented scientists. We are led by Dr. Jincai Li, our chief executive officer, who is supported by members of our senior management team, all of whom have extensive experience and diverse expertise in the pharmaceutical industry both domestically and internationally. We also benefit from a strong shareholder support from the WXB Group and the WXAT Group. Our heritage brings us with a strong trust from industry participants in our field-tested capabilities and world-class quality.

Our Financial Performance and Path Forward

We experienced robust growth in our revenue during the Track Record Period. For the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023, our revenue amounted to RMB96.4 million, RMB311.1 million, RMB990.4 million and RMB993.5 million, respectively. We recorded net profit of RMB26.3 million, RMB54.9 million, RMB155.7 million and RMB177.2 million for the same periods, respectively. Our adjusted net profit (non-IFRS measure) amounted to RMB32.8 million, RMB77.1 million, RMB194.4 million and RMB216.4 million in the same periods, respectively. See "Financial Information — Non-IFRS Measures." Our backlog amounted to US$318.0 million as of December 31, 2022 and US$410.6 million as of June 30, 2023. As of the same date, we had 67 ongoing preclinical bioconjugate projects and 43 ongoing post-IND bioconjugate projects. As pre-IND projects advance into the post-IND stage and post-IND projects progress across clinical and commercial stage, the typical range of project contract values is also expected to increase, providing a robust revenue growth momentum and visibility.

Going forward, we look to capitalize on the opportunities and solidify our leading position in the global ADC and broader bioconjugates outsourcing services market. We plan to continue expanding our capability beyond ADCs, strengthen our in-house discovery and development capabilities and manufacturing capacity, deepen our relationship with existing customers and attract new customers, as well as continue to invest in cutting-edge technologies. We strive to continuously enhance our fully integrated one-stop bioconjugate platform and become a partner of choice for global industry participants seeking to develop and manufacture bioconjugate therapeutics.

OUR STRENGTHS

Uniquely positioned to capture the growth in the global ADC and broader bioconjugate market

We are a CRDMO dedicated to providing integrated and comprehensive services for ADCs and other bioconjugates, and therefore uniquely positioned to capture opportunities in the fast-growing global ADC and broader bioconjugate market.

The ADC and broader bioconjugate drug market is at a growth inflection point. As of June 30, 2023, 15 ADC drugs have been approved globally, of which 11 have been approved since 2018 and four have been approved since 2021. According to Frost & Sullivan, the global ADC drug market size reached approximately US$7.9 billion in 2022, representing an over 40% CAGR since 2018, and is anticipated to continue to grow rapidly to US$64.7 billion in 2030, representing a CAGR of 30% from 2022 to 2030.

The in-depth interdisciplinary expertise required in developing a bioconjugate leads to the high outsourcing rate* of approximately 70% for the ADC development, which is significantly higher than the approximate 34% outsourcing rate for other biologics in 2022, according to Frost & Sullivan. Furthermore, the collection of capabilities required for the research, development and manufacturing of bioconjugates are lacking in most outsourcing service providers in this space. Therefore, a single ADC is typically outsourced to multiple different outsourcing service providers to handle different development and manufacturing steps. As of June 30, 2023, 13 out of the 15 approved ADC drugs have been developed and manufactured using outsourcing service providers, with the majority of them being outsourced to multiple outsourcing service providers. However, such a fragmented and extensive outsourcing service provider network for the highly regulated products is prone to multiple disadvantages, such as complexities in the communication and coordination of logistics, testing and quality control, potential delays and disruptions in the supply chain, potential loss of accountability during handover of projects from one outsourcing service provider to another, as well as a long overall development and manufacturing cycle.

We believe a fully integrated one-stop bioconjugate research, development and manufacturing platform like ours is the precise solution to these industry challenges. Our platform ensures that the different teams involved in a bioconjugate project collaborate seamlessly to achieve an industry-leading development speed while eliminating potential loss of accountability resulting from multiple service providers.

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* According to Frost & Sullivan, the outsourcing rate is calculated by dividing the size of the relevant outsourcing services market of a modality by the total outsourceable research, development and manufacturing expenses on that modality.

We were an early player in the space and have been offering specialized CRDMO services for ADCs and other bioconjugates since 2013. Over the years, we have built a strong reputation in the industry, accumulated deep know-how that enabled hundreds of customers through delivery of quality, tailored and innovative solutions, and won a growing and loyal global customer base. We believe these advantages serve as important entry barriers and will further solidify our leadership position in the global bioconjugate outsourcing services industry and empower us to further propel the development of the global bioconjugate industry.

Leading global CRDMO dedicated to ADCs and other bioconjugates with fully integrated, one-stop service capabilities

We are a leading player in the global ADC and bioconjugate outsourcing services market. We ranked No. 2 globally and No. 1 in China among CRDMO for ADCs and other bioconjugates in terms of revenue in 2022, according to Frost & Sullivan. We have a large number of discovery projects and integrated projects for ADCs and other bioconjugates. Integrated projects constitute a critical component of our business because a customer typically commits to us once an integrated project is initiated, which we believe translates to significant customer stickiness and naturally embodies our "enable, follow and win the molecule" strategy. By the end of 2022, we had 94 ongoing integrated projects, which represented over 35% of the total number of outsourced integrated projects for bioconjugates globally in the same year, according to Frost & Sullivan.

We have established a fully integrated one-stop research, development and manufacturing platform dedicated to ADCs and other bioconjugates. Supported by world-class capabilities in small molecule compounds, large molecule moieties and conjugation technologies, our comprehensive service offerings span each critical step of bioconjugate development and manufacturing, including discovery, process development and GMP manufacturing for bioconjugates, monoclonal antibody intermediates and payload-linkers associated with bioconjugates. According to Frost & Sullivan, we are one of the very few CRDMOs worldwide, if not the only one, in possession of such extensive service capabilities.

Our fully integrated service offering platform, single-source solution and extensive experience enable us to conduct multiple steps in parallel and run iterations seamlessly to improve the overall productivity and efficiency. We assume the full project management responsibility for the projects, which ensure the service quality and speed of delivery. In addition, these services are delivered from proximately located operation sites within a 200-kilometer radius in Shanghai, Changzhou and Wuxi in China, making us globally the only CRDMO dedicated to ADCs and other bioconjugates that provides full-spectrum services from proximately located facilities, according to Frost & Sullivan. With these strategically located operation sites, we are able to better coordinate development and manufacturing operations, manage the supply chain and ensure seamless technology transfer and quality assurance as compared to a typical fragmented third-party service network with services provided from geographically dispersed locations. As such, we expedite development timelines and enhance quality and cost efficiencies for our customers. For instance, in general, we are able to drastically reduce the traditional ADC development period to an average of 13 to 15 months from the antibody DNA sequence to bioconjugate IND filing, a significantly shorter timeline relative to the industry average of 24-30 months. We also reduce the typical GMP production cycle of an ADC product, including manufacturing of the monoclonal antibody intermediate for bioconjugate, payload-linker, ADC drug substance and ADC drug product, of approximately one and half years to a few months. In addition to the expedited timeline, we operate our business with a field-tested quality control and assurance system to ensure that we consistently deliver our comprehensive, fully integrated services in top quality.

Industry-leading technical capabilities and integrated capacity

Our fully integrated, one-stop bioconjugate platform offers comprehensive CRDMO services, including discovery, process development and GMP manufacturing for bioconjugates, monoclonal antibody intermediates and payload-linkers associated with bioconjugates. It boasts a rich portfolio of conjugation technologies, extensive expertise in payload-linker synthesis and process development, industry-leading process development know-how, comprehensive analytical methods, as well as dedicated and specialized facilities. In particular, we seamlessly integrate the multidisciplinary expertise in both biologics and small molecules critical to comprehensive discovery, development and manufacturing of ADCs and other bioconjugates. As of June 30, 2023, we have generated over 7,000 bioconjugate molecules for customers incorporating over 500 protein carriers and over 600 payload-linkers.

Rich Portfolio of Conjugation Technologies. We have invested heavily in our technology platform, mastering over 10 conjugation technologies, making our portfolio of conjugation technologies one of the richest among bioconjugate outsourcing service providers, according to Frost & Sullivan. Our platform not only contains our in-house developed conjugation technologies but also provides access to a variety of technologies through our expanding collaborations with third-party partners, including GeneQuantum Healthcare and SyntaBio. This equips us to handle challenging discovery scenarios, fulfill unmet needs in the payload-linker development and deliver bioconjugates with desired properties for our customers. For example, our in-house developed, patented WuXiDAR4 conjugation technologies achieves tight control of product homogeneity and lot-to-lot consistency, which in turn improve the pharmacokinetics profile and stability of bioconjugate products and potentially results in better clinical outcomes.

Extensive Expertise in Payload-linker Synthesis and Process Development. With our decade-long experience and specially designed laboratory to safely handle highly potent compounds, we provide synthesis and process development services for customer-specific payload-linkers, including many with challenging chemical synthesis processes. We have also generated a growing library of off-the-shelf payload-linkers. Many of the ready-made payload-linkers have drug master files ("**DMFs**") filed with the FDA, which helps to effectively shorten development lead time and expedite regulatory submission of bioconjugates incorporating them. In addition, we provide customers with access to a large variety of proprietary payload-linkers through our growing collaboration with partners.

Industry-leading Process Development Know-how. We have developed specialized know-how and unique insights in process development, including scale-up processes, for various types of bioconjugates. Our process development expertise ensures optimization of critical quality attributes, including drug load ratio (DAR), free drug removal, process efficiency and consistency. As a demonstration of our capabilities, we have initiated GMP manufacturing of bioconjugates involving several conjugation technologies, including non-natural amino acid ("**NNAA**") site-specific conjugation, tyrosine tubulin ligase-assisted conjugation, sortase-assisted conjugation, farnesyltransferase-assisted conjugation, and traceless affinity peptide labeling conjugation. We also initiated GMP manufacturing using our patented WuXiDAR4 technologies.

Comprehensive Analytical Methods. Our strong in-house expertise in method development across a full array of analytics also sets us apart from other outsourcing service providers. These capabilities support precise characterization, identification and potency assessment of intermediates and final products along the entire bioconjugate development and manufacturing process. These assessments shed critical light on the conjugation process and the quality of the resulting bioconjugates. For instance, our analytical

panel allows us to perform in-process testing for immediate analysis and speedy in-process control testing of critical parameters, such as protein concentration, DAR, residual content (including free drug) and endotoxin level. In addition, we enable customers to evaluate the conjugatability and developability of the bioconjugates to determine the most suitable lead candidate for further development.

Dedicated and Specialized Facilities. Our dedicated facilities enable manufacturing of ADCs and other bioconjugates at different scales and in different formulations. Our facilities are equipped with single-use reactor systems with capacity of producing up to tens of kilograms of bioconjugate drug substance in each batch. Our drug product filling line contains fully isolated, automated aseptic system which can fill liquid and lyophilized products in multiple vial sizes. As payloads often are highly potent substances, our laboratories and GMP manufacturing facilities for payload-linkers, conjugate drug substances and drug products feature special engineering designs and proper containment systems, such as isolators designed to accommodate handling of OEB5-rated compounds* ranging from several milligrams to tens of kilograms. All our dedicated and specialized facilities are located within 200-kilometer radius, ensuring coordinated development and manufacturing, a well-managed supply chain, and seamless technology transfer. Our operations adhere to the well-regarded quality control and assurance system of the WXB Group.

CRDMO of choice with broad, loyal and fast-growing customer base

We are a trusted partner leading the bioconjugate development globally with a diverse, loyal and fast-growing customer base. We won the runner-up prize in the "Best Contract Manufacturing (CMO) Provider" category of the 2022 World ADC Awards and the "Best Contract Development Manufacturing Organization (CDMO)" prize at the 2023 World ADC Awards, a testament to our flawless operational record during the Track Record Period. Our diverse and growing customer base includes both innovative biotechnology companies and global pharmaceutical companies. The number of our customers grew significantly from 49 in 2020 to 115 in 2021, 167 in 2022 and 169 in the six months ended June 30, 2023. As of June 30, 2023, we had served 304 customers cumulatively, including most of the major players in the global ADC and bioconjugate market.

Our customer base is also geographically diverse with a global footprint. In the first six months of 2023, 37.0%, 35.9%, 23.1% and 4.0% of the total revenue from ultimate customers from North America, China, Europe and the rest of the world, respectively, based on the location of the customers' headquarters.

We believe our ability to establish such a broad and diverse customer base results from our constant pursuit of fast, smooth and high-quality project execution to propel their global development efforts or out-licensing or acquisition strategies. As of June 30, 2023, we had won ADC development contracts for all ADC candidates in China with dual filing of IND and/or BLA in China and the United States, and eight out of the 10 China-based companies that out-licensed their ADC pipelines overseas since 2022 are our customers, according to Frost & Sullivan. We have enabled innovative biotechnology companies, such as Ambrx, DualityBio and NBE Therapeutics (now a Boehringer Ingelheim company), to expediently advance their pipeline programs in the fast-growing and competitive ADC and broader bioconjugate market. Our expertise and capabilities also helped us win projects from global leading pharmaceutical companies, including Merck Sharp & Dohme ("**MSD**").

* OEB5-rated compounds are active pharmaceutical ingredients that have been assigned to an occupational exposure band ("**OEB**") of 5, the most severe rating in the 5-band OEB system developed by the U.S. National Institute for Occupational Safety and Health, indicating the highly hazardous nature of the compounds.

We employ an "enable, follow and win the molecule" strategy to not only grow with our existing customers by providing services from an early stage of their product development cycle, but also win new customers as their bioconjugates progress. As of the end of 2020, 2021, 2022 and June 30, 2023, as the result of our "enable" strategy, we had cumulatively progressed 9, 12, 24 and 30 ADC candidates, respectively, from discovery to CMC development. We believe that growing with our customers enhances our customer stickiness and loyalty as they see us not only as outsourcing service providers for specific development stages of their drug candidates, but as a long-term partner in advancing their product pipelines. Since our inception in 2013 and up to June 30, 2023, nearly all our customers for bioconjugate discovery or integrated projects advancing their bioconjugate candidates along the development process have stayed with us. As such, we have cultivated long-term relationships with our customers. Winning customers is another key driver of our future growth. As our fully integrated one-stop bioconjugate platform gains increasing industry recognition, we are winning new customers at the CMC stage. As of June 30, 2023, 36 of our integrated projects were transferred to us from our customers or their outsourcing service providers after the initial discovery stage. With our continuous efforts to enable our customers to smoothly develop their pipeline programs and capture the market opportunity, we expect to win more customers and molecules going forward.

While we did not have commercial-stage manufacturing projects during the Track Record Period, we have completed process validation for two integrated projects and are helping to prepare for the BLA submissions. As of June 30, 2023, we had 67 ongoing preclinical bioconjugate projects and 43 ongoing post-IND bioconjugate projects. As pre-IND projects advance into the post-IND stage and post-IND projects progress across clinical and commercial stage, the typical range of project contract values is also expected to increase, providing a robust revenue growth momentum and visibility.

Seasoned management team supported by a diversified and strong talent pool and shareholders

We are led by our team of seasoned senior management who possess extensive experience and diverse expertise in the pharmaceutical industry both domestically and internationally. Dr. Jincai Li, our executive director and chief executive officer, has over 20 years of experience in biologics process development, scale-up and GMP manufacturing. Mr. Xiaojie Xi, our executive director and chief financial officer, has close to 20 years of experience in the capital market, financing, corporate strategy advisory and investments. Mr. Jerry Jingwei Zhang, our executive director and chief operating officer, has over 20 years of experience in the management of business operations, supply chains, sales and product profit and loss. Dr. Marie Meiying Zhu, our chief technology officer, is a well-regarded expert and executive with over 28 years of drug development experience in the biotechnology industry and 15 years of experience in the ADC development. Dr. Jianjun Luo, our vice president supervising drug product formulation development and manufacturing, has over 20 years of experience in formulation, drug product development and aseptic manufacturing. Our chairman of the board, Dr. Zhisheng Chen, who is also the chief executive officer of our parent company WuXi Biologics, has over 20 years of experience in the development of monoclonal antibodies, therapeutic proteins and vaccines, and assists our senior management team to establish visionary strategies to propel our continued growth.

Our senior management team is supported by a pool of experienced, talented employees with strong execution capabilities. As of September 30, 2023, we had 1,110 employees, among whom 557 have a science background with a master's or doctorate degree in biology, chemistry, chemical engineering and other relevant fields. Many of our employees also had prior work experience at pharmaceutical or biotechnology companies in China or overseas. We also achieved a high employee retention rate of over 90% in 2022, which is calculated by dividing the number of employees who were with us as of December

31, 2021 and remained our employees as of December 31, 2022 by the number of our employees as of December 31, 2021. As ADCs and other bioconjugates represent a unique class of modality and the success of our projects heavily relies on the expertise and experience of our staff, we believe that this strong talent pool has enabled and will continue to allow us to clearly appreciate our customers' needs and efficiently undertake projects at any suitable development stage.

We also benefit from strong shareholder support from the WXB Group and the WXAT Group. Our heritage empowers us with expertise from the WXB Group, a global leading CRDMO for biologics, with respect to large molecule moieties such as antibodies, as well as from the WXAT Group, a global leading CRDMO for small molecule chemicals, with respect to payload-linkers.

OUR STRATEGIES

Leverage our fully integrated platform to further solidify industry leading position as we continue to focus on integrated projects and comprehensive service capabilities

We look to further solidify our leading position and expand our market share by leveraging our fully integrated one-stop bioconjugate research, development and manufacturing platform.

Integrated projects will be our key focus in the near future, and we intend to strengthen our leadership position as an outsourcing service provider for integrated projects of ADCs and other bioconjugates on a global scale. We plan to fully utilize established multidisciplinary expertise, technologies and facilities to continuously deliver quality results to our existing customers and actively promote our service capabilities to win over new customers for integrated services. As our integrated projects advance into commercial stage, our revenue and market share are expected to grow accordingly. We expect to launch our first ADC drug commercial manufacturing project in the near future. We will seek to keep and win more projects for late-stage or commercialized products.

Besides integrated projects, we will also continue to enhance our services in discovery by providing more innovative payload-linkers and conjugation technologies to expand our customer pool and capture future upsides of emerging ADC and other bioconjugate pipelines. We plan to continue investing in technologies and facilities that support efficient bioconjugate discovery efforts. We aim to both support our existing customers' new project initiatives and attract new customers with an expedited development timeline and high efficiency.

Moreover, we plan to further promote our brand recognition as the CRDMO with integrated and comprehensive service offerings dedicated for ADCs and other bioconjugates globally. We will also maintain our high service standards to firmly establish that we are the partner of choice for the discovery, development and manufacturing of bioconjugates and payload-linkers.

Expand manufacturing capacities globally to meet growing demands

In anticipation of strong demands from our customers globally, we are building more manufacturing capacity to support our future growth. For example, we are supplementing manufacturing lines for antibody intermediates associated with bioconjugates, payload-linkers and bioconjugate drug substances in our Wuxi site with capacities ranging from 200 liters to 2,000 liters per batch for antibody intermediates and up to 2,000 liters of bioconjugate drug substance per batch for conjugation manufacturing. We are also enhancing our manufacturing capacity for drug products to prepare us for additional late-stage and

commercialization manufacturing projects, as we continuously help our customers to advance their pipeline programs to the next stage. While we did not have commercial-stage manufacturing projects during the Track Record Period, we have completed process validation for two integrated projects and are helping to prepare for the BLA submissions.

As our "global dual sourcing" strategy, we started the plan to establish a manufacturing base in Singapore, a vibrant biomedical hub, to better serve global customers and ensure that we always have two facilities at different geographic region to manufacture each commercial product. Our Singapore site is designed to include the commercial production facilities similar to the ones at our Wuxi site for monoclonal antibody intermediate associated with bioconjugate, bioconjugate drug substance and drug product, with a manufacturing capacity of up to 2,000 liters of monoclonal antibody intermediate, up to 2,000 liters of bioconjugate drug substance per batch for conjugation manufacturing and up to eight million vials per annum for liquid or lyophilized drug products. It is expected to commence operation by 2026.

Continue to focus on cutting-edge technologies through internal R&D and strategic partnerships

We will continue to invest in cutting-edge technologies and enhance our R&D capabilities, so we remain at the forefront of the technological frontier and continue delivering high quality results to our customers. For instance, we will continue to refine or upgrade the WuXiDAR4 technologies and extend their application to other XDC modalities. We also intend to continue establishing high-throughput approaches for the generation and screening of all intermediates and bioconjugates under one project management system.

We may also selectively pursue strategic alliances, licensing arrangements, investments and bolt-on acquisitions in the future to enrich our technology toolboxes and service offerings and become the bioconjugate research, development and manufacturing platform of the choice. For instance, in 2022 we entered into a strategic collaboration with GeneQuantum Healthcare (啟德醫藥), an innovative biotechnology company dedicated to the development of the next generation bioconjugate drugs. Pursuant to the collaboration we undertook to actively promote GeneQuantum's proprietary iLDC (intelligent ligase-dependent conjugation) and iGDC (intelligent glycotransferase-dependent conjugation) platforms globally to enable innovative bioconjugate development. This collaboration with GeneQuantum Healthcare has enriched the conjugation technologies at our disposal and further strengthened our competitiveness.

Deepen relationship with existing customers and broaden customer base

We believe that the breadth and depth of our integrated service capabilities will continue to enhance our customer stickiness, drive our revenue growth and solidify our leading position in the global ADC and other bioconjugate outsourcing services space. We will strive to maintain a high customer satisfaction, which we believe will help us win new projects from our existing customers and further support the progression of their pipeline programs with our integrated platform. We also look to attract new customers through recommendations as well as active promotions of our comprehensive capabilities and well-regarded brand.

As the industry interest in and market for ADCs and other bioconjugates continue to grow, we aim to continue to support both innovative biotechnology companies and global pharmaceutical companies to advance their ADC and other bioconjugate pipeline programs in an expedited and cost-efficient way.

We plan to further enhance our presence in the United States and Europe by continuously expanding our business development and technical support force in those markets, enhancing our brand awareness and formulating detailed plans in accordance with our sales efforts and the demand of our services. We expect to continue to maintain a diversified customer base across geographic locations.

Pioneer through the industry development from ADC to XDC

The scope of bioconjugates extends beyond ADCs through the conjugation of various payloads other than chemical drugs with antibodies and reaches "XDC" when various carriers other than antibodies are used to generate the bioconjugates. For example, antibody conjugated with radioisotopes ("**ARC**") is a novel therapy in radiopharmaceutical space and PDCs have emerged as the next generation of targeted therapy other than ADCs. We have supported our customers regarding the discovery and development of other bioconjugates such as AOC, ACC and PDC, among others. With our accumulated hands-on experience, interdisciplinary expertise and industry-leading technical capabilities in ADCs, we are well positioned to extend our services to "XDC" by linking various types of carriers with various types of payloads, an aspiration that is embedded in our company name.

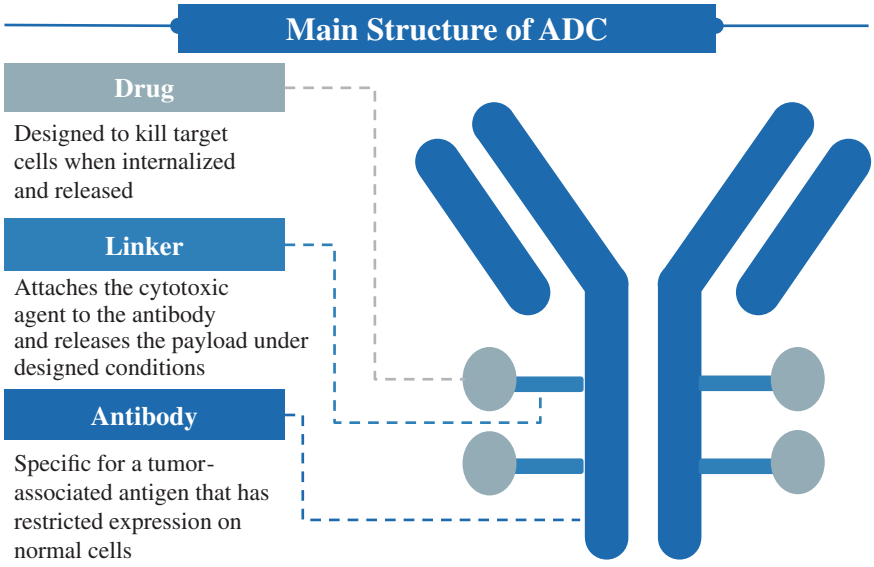
As innovations in the XDC field continue to emerge, we believe opportunities for us as a CRDMO will follow. We intend to adopt a multifaceted approach to further delve into the XDC space. For example, in addition to monoclonal antibodies, namely the "A" in "ADC," we intend to further establish capabilities in incorporating different types of carriers, such as antibody fragments, nanobodies, bi-specific antibodies, peptides and synthetic polymers, among others, to improve the specific targeting of diseased cells. With respect to the payloads, or "D" in "XDC," we plan to continue developing capabilities in other types of modalities with differentiated mechanisms of action, including nucleotides, steroids, chelators, biotin, enzymes or targeted protein degradation agents such as proteolysis targeting chimeras (PROTACs). Last, we will strive to invest in the research and application of innovative technologies for conjugation, or "C" in "XDC," to enhance the stability and homogeneity of XDCs and efficiency in scaling-up and manufacturing.

OUR BUSINESS MODEL

Who We Are and What We Do

We are a leading CRDMO focused on the global ADC and broader bioconjugate market and dedicated to providing integrated and comprehensive services. We are the second largest CRDMO for ADCs and other bioconjugates globally in terms of revenue in 2022, according to Frost & Sullivan. Leveraging expertise in both biologics and small molecules, we offer interdisciplinary and comprehensive services, covering discovery, process development and GMP manufacturing of bioconjugates and payload-linkers.

During the Track Record Period, a substantial part of our business has been related to ADCs. An ADC is a conjugate of a biologic component (e.g., an antibody) and a small molecule drug (e.g., a cytotoxic payload) through a chemical linker. A typical ADC drug utilizes the antibody to bind to the tumor-specific antigen target on the surface of cancerous cells, delivers the payload to the cell and releases the payload inside the cell to kill it. The antibody plays the roles of targeting tumor cells and carrying the payload into the tumor cells, while the payload kills the tumor cells. This combinatorial design potentially reduces off-target toxicity of classic chemotherapy and leads to an improved safety and efficacy.



Note: For illustrative purposes, the above graph is a schematic representation of an ADC molecule showing payload-linkers attached to an antibody. In reality, payload-linkers can be attached to different regions of an antibody.

ADCs and other bioconjugates constitute a separate modality distinct from both biologics and small molecules. There are multiple distinct challenges inherent in the major steps of ADC drug development, including payload-linker generation, bioconjugate process development and GMP manufacturing and quality assurance of drug substances and drug products. For additional information about ADCs and other bioconjugates and the challenges associated with the research, development and manufacturing of those modalities, see "Industry Overview." Globally, few companies have in-house capabilities required to address all the challenges involved in ADC development in house. Even for companies with in-house capabilities, they may not be able to conduct all activities in an economically efficient manner. For example, carrying out the ADC development process in geographically scattered facilities may pose considerable challenges for supply chain management, technology transfer and quality assurance and could increase the total costs significantly.

We have established a fully integrated one-stop research, development and manufacturing platform dedicated to ADCs and other bioconjugates. Supported by world-class capabilities in small molecule compounds, large molecule moieties and conjugation technologies, our comprehensive service offerings span each critical step of bioconjugate development and manufacturing, including discovery, process development and GMP manufacturing for bioconjugates, monoclonal antibody intermediates and payload-linkers associated with bioconjugates. We provide tailored solutions to our customers at any stage of the bioconjugate development process. We have accumulated vast hands-on experience in bioconjugates, generating over 7,000 bioconjugate molecules for our customers incorporating over 500 protein carriers and over 600 payload-linkers. We have completed CMC development and initiated GMP manufacturing using over 10 conjugation technologies for both ADC and other bioconjugates. See "— Our Services" for a more detailed description of our service offerings.

We believe a fully integrated one-stop bioconjugate research, development and GMP manufacturing platform like ours is the precise solution to industry challenges associated with a traditionally fragmented and extensive outsourcing service provider network. Our approach to the development of ADC and other bioconjugates is to provide all services with one source, one platform and one team, as further outlined below. We provide services from proximately located and dedicated laboratories and manufacturing facilities, leading to significant reduction of development timeline and costs. As an industry recognition of our capabilities, we won the runner-up prize in the "Best Contract Manufacturing (CMO) Provider" category of the 2022 World ADC Awards and the "Best Contract Development Manufacturing Organization (CDMO)" prize at the 2023 World ADC Awards.

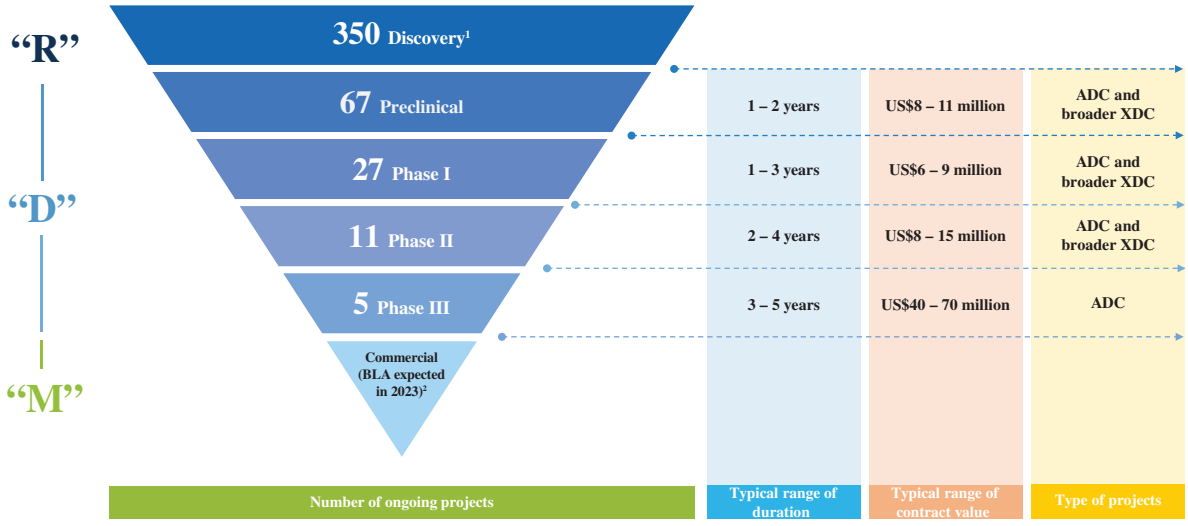
- *One source*. Leveraging our integrated capabilities in bioconjugate development and our close relationship with industry-leading outsourcing service providers for small- and large-molecule development, such as the WXAT Group and the WXB Group, we enable customers to source key raw materials in the value chain of bioconjugate development, including payload-linkers and antibodies, singly from or through us, which we believe would contribute to yielding consistent and high-quality bioconjugates and the final drug products.

- *One platform*. Our service offerings, which stem from our fully integrated one-stop platform, empower our customers to conquer major steps of bioconjugate development, spanning from discovery, process development to GMP manufacturing. We believe our fully integrated one-stop platform effectively addresses industry challenges associated with bioconjugate development using a fragmented and extensive outsourcing service provider network, and ultimately enables customers to expedite development timelines and enhance quality and cost efficiencies.

- *One team*. Our team members with different functions, from service and support to product management and project accountability, seamlessly collaborate and strive to deliver a high level of customer experience and service.

We employ an "enable, follow and win the molecule" strategy to not only grow with our existing customers by providing services from an early stage of their product development cycle, but also win new customers as their bioconjugates progress. We have been able to achieve a high customer retention because of our service quality, industry-leading development timeline, world-class and innovative process development technology and proven GMP manufacturing capabilities. Since our inception in 2013 and up to June 30, 2023, nearly all our customers for bioconjugate discovery or integrated projects advancing their bioconjugate candidates along the development process have stayed with us. Winning customers at the CMC stage is another key driver of our future growth. Also due to the aforementioned factors, we expect to continuously win over customers and integrated bioconjugate projects going forward. Our global market share by revenue increased from 1.8% in 2020 to 4.6% in 2021 and 9.8% in 2022.

Figuratively, we view our pipeline programs as sitting at different stages of a cone-shaped "funnel," where the opening of the funnel is wider and represents projects that are at an early stage of the development process, including discovery projects. When a project advances through the development process, it moves deeper into the funnel and eventually may reach the end of the funnel that represents commercial manufacturing. We have executed 350 discovery projects since our inception and as of June 30, 2023. The following funnel diagram sets forth the developmental stages and other details of ongoing integrated projects as of June 30, 2023. The duration and contract value of discovery projects can vary significantly due to their nature.



1. It is the cumulative number of discovery projects since our inception and as of June 30, 2023.
2. We have completed process validation, which is a critical step before the BLA submission, for two integrated projects.

The following table sets forth the details of ongoing projects by each development stage during the Track Record Period. As of December 31, 2020, 2021 and 2022 and June 30, 2023, nil, 3, 20 and 7 ongoing post-IND projects were advanced in the year/period from the pre-IND stage leveraging our CRDMO services.

		As of December 31, 2020			As of December 31, 2021			As of December 31, 2022			As of June 30, 2023		
Development Stage	Typical Duration	Number of Ongoing Projects[3]	Type of Projects	Number of New Projects[5]	Number of Ongoing Projects[3]	Type of Projects	Number of New Projects[5]	Number of Ongoing Projects[3]	Type of Projects	Number of New Projects[5]	Number of Ongoing Projects[3]	Type of Projects	Number of New Projects[5]
Discovery	N/A[1]	100[4]	ADC(78) and XDC(22)	52	176[4]	ADC(148) and XDC(28)	76	299[4]	ADC(244) and XDC(55)	123	350[4]	ADC(283) and XDC(67)	51
Preclinical	1-2 years	28	ADC(24) and XDC(4)	12	45	ADC(38) and XDC(7)	20	57	ADC(51) and XDC(6)	33	67	ADC(59) and XDC(8)	17
Clinical	Multiple years[2]	12	ADC(11) and XDC(1)	–	15	ADC(13) and XDC(2)	–	37	ADC(33) and XDC(4)	2	43	ADC(39) and XDC(4)	–

1. The duration of discovery projects can vary significantly in light of their ad hoc nature and depends on the types of projects at issue. Therefore, there is not a typical range for discovery projects.
2. The typical duration of projects in Phase I, II and III stages are 1-3 years, 2-4 years and 3-5 years, respectively.
3. "Number of ongoing projects" is the number of integrated projects excluding the number of integrated projects that are inactive or for which the customers notify us that they do not intend to further pursue. We deem an integrated project inactive if we have not been requested to provide services for three years.

4. It is the cumulative number of discovery projects since our inception and as of the indicated date. Because the duration and chance of success of discovery projects can vary significantly due to their early-stage nature, we present the cumulative number, instead of the ongoing project number, of discovery projects to demonstrate our experience in bioconjugate discovery.
5. For preclinical-stage integrated projects, "number of new projects" is the number of preclinical projects that we were able to "enable" (advance from the discovery-stage) or "win" (bring into our project pipeline) during the year/period ended on the indicated date. For discovery and clinical-stage projects, "number of new projects" is the number of projects that we were able to "win" (bring into our project pipeline) during the year/period ended on the indicated date. We do not count clinical projects that we "follow" (advance from preclinical stage to clinical stage) as new clinical projects, as we deem an integrated project, regardless of its developmental stage, as one project.

The cone shape of the funnel reflects the fact that customers may strategically advance selected ADC or other bioconjugate candidates along the development process. The closer a bioconjugate candidate is to the end of the funnel, the more commercial visibility it brings to the customers. As bioconjugate candidates progress deeper into the channel, services required to enable such advancement change accordingly, and typically the size of the projects increase, leading to a greater revenue for us on a particular project. Typically, as depicted in the diagram above, we charge varied total fees for our projects in consideration of, among others, the nature of the projects and the expected workload and technical requirements of the projects.

During the Track Record Period, we generated revenue from a mix of bioconjugate projects in various development stages, which can be broadly categorized into (i) revenue from pre-IND projects, primarily bioconjugate discovery projects at the drug discovery stage and preclinical development stage, and (ii) revenue from post-IND projects, primarily for clinical and commercial stage projects. The following table lays out a breakdown of our revenue by the development stages of projects for the periods indicated, both in actual terms and as a percentage of total revenue.

	For the year ended December 31,						For the six months ended June 30,			
	2020		2021		2022		2022		2023	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(in thousands, except for percentages)									
							(unaudited)			
Pre-IND services	53,122	55.1	152,506	49.0	381,071	38.5	99,267	30.1	371,273	37.4
Post-IND services	43,231	44.9	158,625	51.0	609,352	61.5	230,169	69.9	622,195	62.6
Total	**96,353**	**100.0**	**311,131**	**100.0**	**990,423**	**100.0**	**329,436**	**100.0**	**993,468**	**100.0**

During the Track Record Period, we generated a significant amount of revenue from overseas ultimate customers (based on the locations of their headquarters), who contributed to RMB27.7 million, RMB182.7 million, RMB684.2 million and RMB637.4 million in revenue, accounting for 28.7%, 58.7%, 69.1% and 64.1% of our total revenue during the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023, respectively. For additional information, see "Financial Information — Key Components of Our Results of Operations — Revenue."

We expect to maintain a fast-growing revenue stream in the coming years. As of June 30, 2023, we had 67 ongoing preclinical bioconjugate projects and 43 ongoing post-IND bioconjugate projects, representing a significant total amount of service fee for services contracted yet to be performed. We also expect commercial manufacturing projects to gradually become a significant source of our future revenue with the launch of our first ADC drug commercial manufacturing project in the near future.

Our Fee Models

Our service fee arrangement can be primarily divided into two types: (i) fee-for-service model and (ii) full-time-equivalent model.

Fee-for-service Model

During the Track Record Period, we generated fee income primarily on a fee-for-service, or FFS, basis for the services provided. We generally receive payments in accordance with a pre-agreed payment schedule specified in the contract or work order. The payment schedule sets out the fees for services we provide at relevant discovery, development or manufacturing steps that fall under the scope of work in the contract or work order. We determine the fee level based on the scope of the services, the estimated costs and expenses, the estimated amount of time to deliver our services, and the prices charged by our competitors for similar services, among others. Our service contracts and work orders under the FFS model typically include a detailed schedule that sets forth specifications of and anticipated time required for completing each step as well as the corresponding payment.

The fee-for-service model is our default fee model for a vast majority of our projects during the Track Record Period. Fees received from our service contracts and work orders under the FFS model contributed 100.0%, 100.0%, 98.4% and 98.7% of our revenue in the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023, respectively. A small number of our projects also incorporate a milestone fee structure that is designed to incentivize us to reach predefined milestones expediently, particularly for projects which utilize our proprietary technologies such as WuXiDAR4. During the Track Record Period, we have seven projects with milestone fee structure. The milestone payments are tied to specific milestone events during the research, development, manufacturing and commercialization of ADCs, such as the dosing of the first patient in different clinical trial phases and the obtainment of regulatory approvals in different jurisdictions. The revenue recognition mechanisms for projects with milestone payments are basically the same as that of FFS model. See "Financial Information — Critical Accounting Policies, Judgments and Estimates — Revenue" for details. During the Track Record Period, we recorded a small amount of milestone fee income, and we do not expect significant revenue from milestone fees going forward.

Full-time-equivalent Model

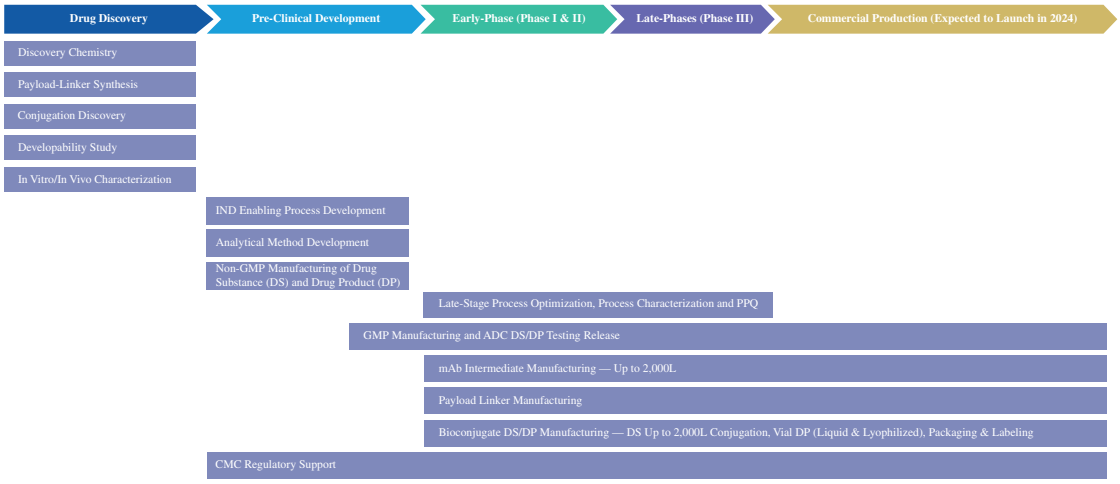
We also generate income under the full-time-equivalent, or FTE, model. Under the FTE model, we designate employees to the customer's projects at a fixed rate per FTE employee per period of time. We determine the amount of service fees based on the number of employees and the amount of time required for completing the project, among others. Our relationship with customers under the FTE model may last several years, and the FTE arrangements are subject to annual review. We only adopt this fee model where a customer requests us to assign a team of employees to its project and strongly prefers the FTE model or where the work scope of a project makes it difficult for us to estimate the cost and adopt the FFS model. Fees received from our service contracts under the FTE model contributed nil, nil, 1.6% and 1.3% of our revenue in the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023, respectively.

For details of the payment terms of our fee models, see "— Our Customers — Payment Terms." For details on our revenue recognition mechanism, see "Financial Information — Critical Accounting Policies, Judgments and Estimates — Revenue from Contracts with Customers."

OUR SERVICES

Overview

We are committed to continuously enhancing our platform, propelling and transforming the development of the bioconjugate industry, enabling global biopharmaceutical partners and benefiting patients worldwide. With our fully integrated, one-stop bioconjugate platform that covers key aspects of bioconjugate CRDMO services, including discovery, process development and GMP manufacturing for bioconjugates, monoclonal antibody intermediates and payload-linkers associated with bioconjugates, we empower our customers at any stage of the development process to advance their projects. The following diagram depicts our bioconjugate CRDMO services.



Abbreviations: PPQ = process performance qualification; DS = drug substance; DP = drug product; mAb = monoclonal antibody.

Note: ADC/Bioconjugate CMC scope (process development, analytical method development, manufacturing) includes mAb intermediate for bioconjugate, payload-linker and bioconjugate DS and DP.

Our experience in bioconjugate development extends beyond ADCs. We are exploring new technologies and modalities that we believe are promising to address unmet medical needs and could allow us to eventually provide CRDMO services for "XDC" drugs, an aspiration that is embedded in our company name. For example, in addition to monoclonal antibodies, namely the "A" in "ADC," we intend to further establish capabilities in handling antibody fragments, nanobodies, bi-specific antibodies, peptides and synthetic polymers such as nanoparticles, among others, to improve specific targeting of diseased cells or organs. With respect to the payloads, or "D" in "XDC," we plan to assess other types of modalities with differentiated mechanisms of action, including nucleotides, steroids, chelators, biotin, enzymes or targeted protein degradation agents such as proteolysis targeting chimeras (PROTACs). We also have experience in and plan to further explore conjugation of labels and reporter groups such as fluorophores in labeling and imaging applications. Last, we will strive to invest in the research and application of innovative technologies for conjugation, or "C" in "XDC," to enhance the stability and homogeneity of XDCs and efficiency in scaling-up and manufacturing. As of June 30, 2023, we had 67 non-ADC discovery projects and 12 non-ADC integrated projects, including four RDC projects, four PEGylation projects, three antiviral conjugate ("**AVC**") projects and one other project.

Drug Discovery

Discovery Chemistry

We have been investing heavily in enriching our technology platform with cutting-edge payload-linkers and conjugation mechanisms to equip ourselves with a vast catalog of discovery chemistry solutions for customers. Through our discovery chemistry solutions, we empower customers to conduct screenings of a variety of chemical payloads and linkers to select payloads with desired mechanism of action ("**MOA**") and linkers with different release MOA and physicochemical properties, and ultimately identify the proof-of-concept bioconjugate molecules for further optimization and development.

We are also experienced in new chemical entity ("**NCE**") medicinal chemistry support and optimization for payload-linkers. Beyond commonly used payloads, such as auristatins, camptothecin, pyrrolobenzodiazepine, mytansinoids, and commonly used linkers, such as maleimidocaproyl (MC)-L-valine (V)-L-citrulline (C)-p-aminobenzyl alcohol ("**MC-VC-PAB**") and succinimidyl-4-(N-maleimidomethyl) cyclohexane-1-carboxylatedisulfide ("**SMCC**"), we enable our customers to make structural modifications of linkers and payloads to further refine the physicochemical properties, *in vitro* biological characterization, *in vivo* efficacy, pharmacokinetics properties and toxicity of bioconjugates to finally determine the optimal linker and payload combination with the designated monoclonal antibody. Our customers may also obtain various ready-made payload-linkers from us, which include vcMMAE, mcMMAF, MC-GGFG-DXd, MC-GGFG-Exatecan, CL2A-SN38, Tesirine, SPBD-DM4 and SMCC-DM1.

Conjugation Discovery

We have conducted conjugation discovery using over 10 conjugation technologies. Our portfolio of conjugation technologies is one of the richest in the industry, according to Frost & Sullivan. These conjugation technologies include non-site-specific ones such as lysine or cysteine based random conjugations, and site-specific ones that involve engineered cysteine, glycan remodeling, disulfide re-bridging, and enzyme-assisted or peptide-affinity-assisted site-specific conjugations, which has empowered our customers to explore and assess the optimal conjugation technologies for their respective bioconjugate candidates.

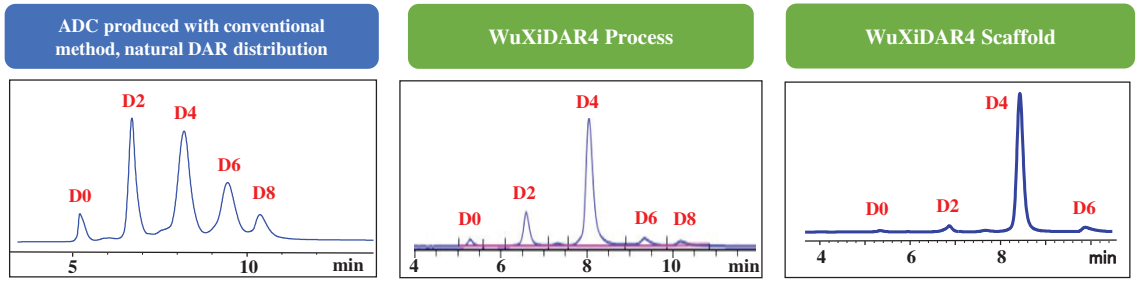
We are experienced in the conjugation of different carrier and payload-linker combinations. In addition to commonly used cytotoxic payloads, we enable our customers to conjugate proteins with non-toxin moieties, including proteolysis-targeting chimeric molecules (PROTACs), polyethylene glycol (PEG), peptides, chelators and oligonucleotides. Conjugation of these moieties potentially allows our customers to develop innovative modalities beyond ADCs with desired properties.

WuXiDAR4 — Our proprietary conjugation technologies

Homogeneity of bioconjugates has significant implications to the complexity and the cost of manufacturing process. While our comprehensive capabilities allow our customers to explore and assess various DARs and to develop their ADC candidates with the most favorable DAR, we have developed proprietary WuXiDAR4 technologies to tightly control the distribution of species with varied drug-to-antibody ratio ("**DAR**"), thereby significantly increasing the homogeneity of the bioconjugates with lot-to-lot consistency.

Our WuXiDAR4 technologies include both WuXiDAR4 Process that works on native antibodies without any need for engineering and WuXiDAR4 Scaffold that includes simple engineering of antibodies. The conjugation products can achieve a high homogeneity (over 65%) of DAR4 species out of the total ADC product using native antibodies through our WuXiDAR4 Process, which can be further improved to over 95% by additional polishing steps. WuXiDAR4 Scaffold can make the content of DAR4 species higher than 85%. Both processes employ simple steps, which would lower the manufacturing costs for our customers.

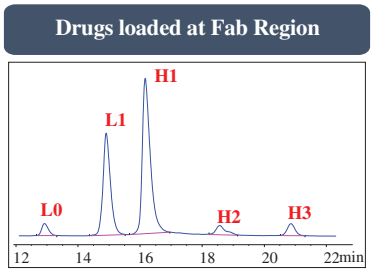
Below is a comparison of the DAR4 homogeneity in terms of DAR distribution using conventional method compared to our WuXiDAR4 technologies:



Note: Different species of ADCs generated from one synthesis reaction are separated using hydrophobic interaction chromatography (HIC), with more hydrophilic species (i.e., ADC with low DAR values) eluted first. Each peak in the graph represents a distinct species. The vertical axis represents the abundance of different species of ADC molecules. "Min" on the horizontal axis means "minutes." "D" with a number above each peak denotes the DAR value, i.e., the number of payloads attached to each antibody through linkers. For example, ADCs in which four payload molecules are attached to each antibody is denoted D4.

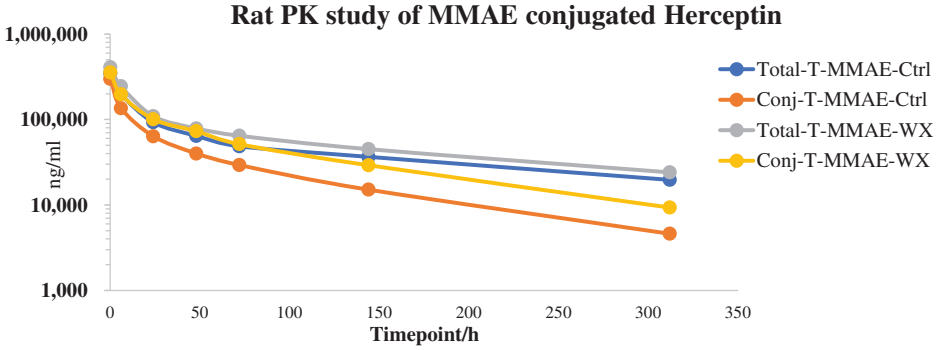
Left: ADCs produced with conventional methods contain multiple species with different DAR values, with D2, D4 and D6 being prominent species. Middle and Right: ADCs produced with our WuXiDAR4 technologies have a predominant species with the DAR value of 4, suggesting an improved homogeneity profile.

Through our WuXiDAR4 technologies, the payload-linkers are attached to the Fab region of the antibody without disrupting the interaction between the Fab region and corresponding tumor antigen, demonstrating a high level of homogeneity in terms of conjugation location as demonstrated in the diagram below:



Note: H = heavy chain; L = light chain. The numbers depict the number of payload-linkers attached to the respective fragments. An antibody consists of two heavy chains and two light chains.

WuXiDAR4 technologies in turn contribute to a favorable pharmacokinetics profile. As shown in the following graph, MMAE conjugated Herceptin produced with WuXiDAR4 is more stable over time in circulation as compared to the control, potentially contributing to a longer-lasting therapeutic effect.



Note: "Total" denotes both unconjugated antibodies, from which payload-linkers are detached in circulation, and conjugated ADCs. "Conj" denotes the conjugated ADCs. PK = pharmacokinetics; MMAE = monomethyl auristatin E; h = hour.

The above graph illustrates the pharmacokinetic profile of the total MMAE conjugated Herceptin (which may include naked antibodies) and Herceptin with conjugated MMAE (excluding naked antibodies) in rat. There is a marginal difference between the half-life of the total group generated with traditional methods (Total-T-MMAE-Ctrl, blue line/dots) and the half-life of the total group generated by WuXiDAR4 technologies (Total-T-MMAE-WX, gray line/dots). In contrast, the conjugated Herceptin generated using WuXiDAR4 technologies (Conj-T-MMAE-WX, the yellow line/dots) demonstrated a longer half-life than conjugated Herceptin generated using traditional methods (Conj-T-MMAE-Ctrl). At each time point, the concentration of Conj-T-MMAE-WX is higher than that of Conj-T-MMAE-Ctrl in rat *in vivo* studies.

Besides DAR4, we are exploring application of the same basic technologies to control the predominant DAR at different values, so that the conjugation product can achieve high homogeneity while developing their ADC candidates with the most favorable DAR.

Other Technologies

In addition to site-specific conjugation technologies for ADC generation, we developed high-throughput conjugation technology to support the antibody selection needs in ADCs discovery projects. With this technology, large number but small amount (tens to hundreds of micrograms) of ADCs can be generated regardless of the initial concentrations and purities of the antibodies in hybridoma culture. The high purity products generated by this way are sufficient to support the following cytotoxicity assays.

In Vitro and In Vivo Characterization

Following conjugation discovery, we provide single-sourced services with multiple *in vitro* and *in vivo* characterization methods within our extensive array of characterization panel to evaluate the bioconjugate candidates. By applying these methods, such as ELISA, flow cytometry or surface plasmon resonance, we evaluate physicochemical properties such as the affinity and specificity of the bioconjugate candidates for certain antigens or cell lines of interest. Well-reserved affinity and specificity are the key features of bioconjugates to ensure that they target desired diseased cells while sparing other healthy cells. With respect to *in vitro/in vivo* studies, we work with our customers to investigate bioconjugate candidates in relevant xenograft models or through various cellular assays, including cytotoxicity assays, internalization assays, apoptosis assays and angiogenesis assays, on their efficacy, pharmacokinetics and pharmacodynamics profiles and toxicity. The Fc effector functions are also assessed through ADCC assays, CDC assays and phagocytosis assays. These studies assist our customers to assess whether their drug candidates are appropriate as preclinical candidates.

Developability Study

After the *in vitro* and *in vivo* characterization, we apply developability study to bridge proof-of-concept studies and lead selection to facilitate the selection of suitable preclinical candidates that potentially enable a smooth transition to subsequent development. Through physicochemical and developability characterization, we gain a better understanding of certain properties of the products, including their stability, solubility and conjugability.

Early-stage Process Development

Bioconjugate Drug Substance Process Development

We view process development for bioconjugate drug substance as one of our key competencies. Our in-depth experience in over 10 conjugation technologies for both ADC and broader bioconjugates empowers us to optimize the process development of various types of bioconjugates, develop scale-up processes and support technology transfer to proceed to GMP manufacturing, IND filing and beyond.

With the support of a full array of analytics, we are able to develop methods and perform in-process testing to monitor crucial steps of conjugate process development and manufacturing. Critical parameters, such as concentration, DAR, purity, residual content (including free drug) and endotoxin, are routinely tested and monitored during the process development.

We have been continuing to establish comprehensive expertise in various carrier-specific and payload-linker-specific conjugation technologies, so that all bioconjugates of our customers can be suited for process development and GMP manufacturing. We are rich in experience and committed to advancing our customers' bioconjugate drug substance development through conjugation technologies, such as the non-site-specific ones involving lysine or inter-chain cysteine, and site-specific ones involving engineered cysteine, engineered NNAA and enzyme-assisted conjugation. We have initiated GMP manufacturing using several conjugation technologies, including NNAA site-specific conjugation, tyrosine tubulin ligase-assisted conjugation, sortase-assisted conjugation, farnesyltransferase-assisted conjugation, and traceless affinity peptide labeling conjugation, as well as our own patented WuXiDAR4 conjugation, according to Frost & Sullivan.

Our process development efforts are based on the contemporary concept of quality by design and focus on critical quality attributes to optimize processes. For example, the DAR ratio is a critical quality attribute for conjugation reactions and bioconjugates themselves. However, the conventional conjugation processes always result in a very heterogeneous mixture of molecules where the drug moieties are attached at several different sites on the antibody. The heterogeneous mixture is so complex that it is difficult and expensive to characterize and purify. Each conjugation product in such a mixture potentially has different pharmacokinetic, distribution, toxicity and efficacy profiles. Through our expert process development efforts, we have helped our customers to achieve consistent and favorable DAR for their products.

Our focus on bioconjugate drug substance process development extends beyond the conjugation reactions. To control impurity, we have developed an extensive collection of purification steps for a wide variety of different bioconjugates. These purification schemes include ultrafiltration and diafiltration, as well as column purification technologies, such as ion exchange chromatography, hydrophobic interaction chromatography and Protein A affinity chromatography, which can be deployed as needed for different scales of varied types of bioconjugates.

Bioconjugate Formulation Process Development

We offer a broad spectrum of services for conjugation formulation process development for both highly potent and non-potent bioconjugate drug products with concentration of up to 150 mg/ml. These services facilitate early-stage molecular assessments and develop proper formulations for first-in-human clinical trials and commercial product launches. Our versatile capabilities also enable our customers to choose from various dosage forms including liquid, frozen and lyophilized forms. Lyophilization of ADC products enhances their stability and requires a more complex process. Over 30 lyophilized products that we contributed to develop have entered the clinical stage. We also offer special dosage forms for products containing nanoparticles or other molecular complexes. The following list outlines representative services that we provide to help customers develop formulations and drug products:

- forced degradation studies to identify product degradation pathways;
- high-throughput screening for formulation process development utilizing biophysical methods;
- design of experiments to identify the optimal formulations;
- container and closure selection and integrity testing;
- end-to-end fill process development from drug substance thawing through mixing, filtration, filling, stoppering and capping to final visual inspection;
- processes development for isolator-based filling systems;
- pilot-scale (non-GMP) fill finish and lyophilization services for preclinical toxicology studies, non-GMP stability studies and scale-down process development;
- lyophilization cycle development and optimization;
- fill finish and lyophilization process scale-up and/or technology transfer, from development to clinical phase or commercial manufacturing;
- in-use compatibility and stability studies to support clinical administration or toxicology studies; and
- stability studies to support formulation and process development under long-term, accelerated or stressed conditions.

Analytical Method Development

Analytical characterization is the key for bioconjugate development. We leverage in-house expertise and analytical equipment to characterize the intermediates, including monoclonal antibodies or other proteins, payload-linkers, and the bioconjugate molecule at various stages of development. Analytical methods that we utilize to assess and characterize these molecules include high-performance liquid chromatography, ELISA, cell-based bioassay and liquid chromatography-mass spectrometry ("**LC-MS**"), among others. With these methods, we measure key parameters that shed critical light on the conjugation process and the quality of the resulting bioconjugates. Those parameters include, but are not limited to, purity, identity, protein concentration, isoelectric point, and potency. The following table sets forth some of our analytical capabilities to characterize ADCs and other bioconjugate molecules.

	Analytical Capability		
	Purity measurements	**Identity, determined by**	**Potency, determined by**
ADC	• DAR • HMW and LMW species* • Charge variants • Residual free drug	• High order structure • Capillary isoelectric focusing • Peptide mapping • Drug load distribution • Conjugation site analysis	• Binding assays • Functional assays • Cell-based assays
Other Bioconjugates	• Payload loading • HMW and LMW species • Residues	• Molecular weight • Polydispersity • Particle size	• Binding assays • Functional assays

* *HMW = high molecular weight; LMW = low molecular weight*

To support the process development and manufacturing of payload-linker, we also leverage various sophisticated and precision tools for separation and analytical chemistry at our disposal to ensure delivery of phase-appropriate quality results to our customers. Those tools include silica gel column chromatography, medium and high-pressure liquid chromatography, high-performance liquid chromatography, infrared spectroscopy, differential scanning calorimetry, X-ray powder diffraction and nuclear magnetic resonance, among others.

Late-stage Development and Process Validation

To help our customers evaluate the late-stage readiness of the developed process, we leverage our in-depth expertise in process development and offer late-stage development and process validation services, including process characterization and process performance qualification. These services aim to ensure that not only optimized processes are developed to achieve more robust performance and better fit the commercial manufacturing facility, but also regulatory requirements are met with established scientific and documentary evidence.

The process characterization services aim to enable customers to understand the impact of process input (operating parameters) on process output (performance parameters) and identify key operating and performance parameters during the bioconjugate manufacturing. We work with customers to define critical quality attributes and process ranges, as well as conduct risk assessment, small scale model development and qualification, and parameters classification. We also offer process performance qualification studies under GMP conditions as part of the process validation to collect and evaluate various data related to manufacturing. Through these studies and the associated adjustments to the process, we enable customers to ensure that all assay methods, raw materials, equipment and cleaning methods are validated, and the developed process for bioconjugate manufacturing delivers consistent product yield and purity within the entire operating range.

Manufacturing of Drug Substance and Drug Product

We offer both non-GMP and GMP-compliant manufacturing of bioconjugate drug substance and drug product to cater to our customer's varied needs from the preclinical stage to the post-IND stage. We also expect to launch the commercial GMP manufacturing of ADC products in the near future. As antibody intermediates are critical components of ADCs and certain other types of bioconjugates, we are expanding our capacity in the production of antibodies used for conjugation through facility expansion in Wuxi, China and construction of a new facility in Singapore. For additional information about our expansion plans, see "— Our Facilities." With respect to antibody intermediates used for conjugation, in addition to sourcing from us, our customers have the option to supply their own antibody components or procure those from other third parties.

We provide manufacturing services at different scales, including laboratory scale, non-GMP pilot scale and cGMP-compliant commercial scale, to support our customers' non-clinical, clinical and commercialization needs. Overall, we are able to produce 500 liters of bioconjugate drug substance per batch. With our existing filling lines, we are able to produce vialed drug products in liquid or lyophilized form of up to approximately three million vials per annum. We will expand our facilities and increase our manufacturing capacity. For additional information, see "— Facilities — Our Facility Expansion Plans."

All of our manufacturing operations are conducted in accordance with our comprehensive quality system that has been audited by multiple regulatory agencies, including the FDA, the EMA and the NMPA, among others.

Following bioconjugate drug substance and drug product manufacturing, we perform lot release testing to confirm that the manufacturing of every batch is performed correctly and the product from every batch meets the relevant anticipated quality requirements.

CMC Regulatory Support

Our customers typically need to make filings to the relevant authorities before they can initiate clinical trials for their bioconjugates or commercialize their bioconjugates. We support our customers' regulatory filings by drafting filing dossiers, addressing regulatory questions and conducting cGMP readiness assessments for them. We possess extensive knowledge and experience with regard to regulatory filings in major jurisdictions including China, the United States and Europe. In addition, as a number of payload-linkers in our library have maintained drug master files ("**DMFs**") with the FDA, they are ready for IND filings.

FACILITIES

Our Current Facilities

We are headquartered in Wuxi, China. As of the Latest Practicable Date, we operated three sites in Wuxi, Shanghai and Changzhou. These sites are proximately located within a 200-kilometer radius, or approximately a two-hour drive. Generally, each of these operation sites focuses on differentiated segments of the bioconjugate discovery, development and manufacturing value chain, and they collectively enable us to provide integrated and comprehensive service offerings for ADCs and other bioconjugates.

We believe that our proximately located sites in China can effectively reduce logistical challenges, shorten ADC production time with assured quality and potentially reduce the overall costs. For instance, we are able to transfer components for bioconjugates across our sites without going through long distances or long periods and with less release or receiving testings. While the development timelines for different ADCs vary, these benefits may in certain cases save months of development period. We are also able to better coordinate development and manufacturing operations at different closely-located sites to conduct multiple steps in parallel and run iterations seamlessly to improve the overall productivity and efficiency, which potentially contributes to a shortened overall development time. With proximately located facilities, we can more easily assume the full project management responsibility for the projects and enable seamless technology transfer and quality assurance, which ensure the service quality and speed of delivery. In general, we are able to reduce the standard industry timeline and process from the antibody DNA sequence to bioconjugate IND filing in approximately 13 to 15 months. We are also able to reduce the typical GMP production cycle of an ADC product from approximately one and half years to a few months.

The following table sets forth a summary of certain key information about our facilities as of the Latest Practicable Date. For more property information about these sites, see "— Properties."

Site	Site Area (sq.m.)	Owned/Leased	Primary Use	Capacity	Utilization Rate[1]
Wuxi	48,067	Owned	**Drug Substance/Drug Product** • GMP-compliant production • Formulation and analytical development • QC release and stability testing **Antibody Intermediates for Bioconjugates** • GMP-compliant production	**Conjugation drug substance and antibody intermediates production** • Conjugation drug substance production line ("XBCM1") with single-use reactor systems ranging from five liters to 500 liters to produce up to 500 liters of conjugation drug substance. • The dual-function production line for antibody intermediates for bioconjugates and drug substance ("XmAb/XBCM2") is designed with capacities ranging from 200 liters to 2,000 liters per batch for monoclonal antibody intermediates or up to 2,000 liters of bioconjugate drug substance per batch. **Conjugation drug product production** • The conjugation drug product ("XDP1") facility is designed to produce the liquid and lyophilization dosage forms with the annual capacity of up to three million vials in an isolated filling line equipped with one 5 sq.m. lyophilizer and one 20 sq.m. lyophilizer. • The conjugation drug product ("XDP2") facility is designed to produce the liquid and lyophilization dosage forms with the annual capacity of up to five million vials in an isolated filling line equipped with one 5 sq.m. lyophilizer and one 20 sq.m. lyophilizer.	**Conjugation drug substance production** • 51% (2020) • 73% (2021) • 85% (2022) **Conjugation drug product production** • 38% (2020) • 57% (2021) • 78% (2022)

Site	Site Area (sq.m.)	Owned/Leased	Primary Use	Capacity	Utilization Rate[1]
Shanghai Waigaoqiao . . .	8,927	Owned	**Bioconjugate discovery and process development** • Bioconjugate discovery, research and process development • Analytical and formulation development • Scale-up conjugation	**Discovery lab** • Laboratories for bioconjugate discovery and process development. **Bioconjugate process development lab** • Laboratory-scale sample preparation to pilot-scale manufacturing of ADCs and other bioconjugates.	N/A
Changzhou	819	Leased	**Payload-linker** • Discovery, research and process and analytical development • Pilot-scale synthesis • GMP-compliant production	**Payload-linker** • Laboratory with a field-tested containment design to safely handle highly potent compounds that are OEB5-rated materials. • Equipped with reaction kettles for GMP-compliant production with capacity of up to 150 liters, enabling kilogram-scale production of payload-linkers.	N/A

(1) The utilization rate for a particular year is calculated using the actual days in that year that our facilities are in operation to carry out manufacturing projects for customers (including the actual manufacturing and the necessary clean-up steps) divided by the theoretical maximum days in a year that the manufacturing facilities can be in operation assuming non-stop operations (being 350 days, taking into account total downtime of 15 days for necessary equipment maintenance).

We do not calculate the utilization rate for the Shanghai Waigaoqiao or Changzhou sites, as those sites are primarily laboratories, instead of manufacturing facilities, for bioconjugate discovery, process development and payload-linkers. The production lines XmAb/XBCM2 and XDP2 in our Wuxi site commenced operation in September 2023 and are therefore not taken into account in the calculation of utilization rate for 2020, 2021 and 2022.

Wuxi Site

Our Wuxi site houses our manufacturing facilities for antibody intermediates for bioconjugates, bioconjugate drug substances and drug products, providing services such as cGMP-compliant manufacturing of ADCs and other complex protein conjugates, formulation and process development, technology transfer, lot release testing, stability studies, drug product formulation, fill and finish, and regulatory support.

We have built a conjugation production line at the Wuxi site with single-use reactor systems ranging from five liters to 500 liters, purification systems leveraging filtration and chromatography technologies, a temperature control unit with agile operation and high accuracy, and a well-developed rapid cooling system for specific products. We have also built a dual-function production line, which commenced operation in September 2023, for antibody intermediaries for bioconjugates and drug substance with designed capacities up to 2,000 liters per batch. We expect the dual-function production line to enable us to meet a large portion of our own antibody intermediate requirements. Our Wuxi site also has other equipment that can be adapted as needed in accordance with our customers' needs. We believe compared to traditional stainless-steel reactors, single-use reactors possess many advantages, including shorter downtimes, reduced cleaning and sterilization efforts, a significantly lower risk of cross contaminations, flexibility and easy shifts in portfolios based on market needs.

The filling line at our Wuxi site adopts a fully isolated and automatically aseptic filling system, which is compatible with liquid and lyophilized product forms and multiple vial sizes from two milliliters to 50 milliliters. The Wuxi site also houses five-square meter and twenty-square meter lyophilizers with fully automated loading and unloading systems. We have also set up pilot plants for the process development of conjugation and drug product and carry out scale-up activities.

The utilization rate of our facilities at Wuxi site for bioconjugate drug substance manufacturing was 51%, 73% and 85% in 2020, 2021 and 2022, respectively. For bioconjugate drug product manufacturing, the utilization rate of the relevant facilities at Wuxi site was 38%, 57% and 78% in 2020, 2021 and 2022, respectively. The utilization rates do not take into account production lines XmAb/XBCM2 and XDP2 in our Wuxi site, which commenced operation in September 2023. The utilization rate for a particular year is calculated using the actual days in that year that our facilities are in operation to carry out manufacturing projects for customers (including the actual manufacturing and the necessary clean-up steps) divided by the theoretical maximum days in a year that the manufacturing facilities can be in operation assuming non-stop operations (being 350 days, taking into account total downtime of 15 days for necessary equipment maintenance). According to Frost & Sullivan, there is no unified industry practice or common method of measurement for calculating the capacity or utilization rate of manufacturing facilities for CRDMOs like us.

Shanghai Site

Our Shanghai site in the Waigaoqiao Free Trade Zone houses our laboratories for bioconjugate discovery and process development, as well as facilities for laboratory-scale sample preparation to pilot-scale manufacturing of ADCs and other bioconjugates. Through these facilities, we support our customers in exploring combinations of biologic and small molecule components, identifying suitable conjugation technologies and processes, and establishing purification, analytical and validation methods, among others. We also carry out scale-up conjugation production to identify any potential production challenges and generate sufficient amount of bioconjugate products for subsequent CMC and other studies.

We utilize various equipment at our Shanghai site. For example, we use AKTA chromatography systems and ultrafiltration/diafiltration systems to purify conjugation products. We also deploy mass-spectrometers and high-performance liquid chromatography to analyze the various intermediates and products for characterization and quality control purposes. Our Shanghai site is also equipped with other analytical or protective instrumentation, which are utilized to test bioconjugates, ensure aseptic production and handle highly potent compounds.

Changzhou Site

As part of our acquisition of the Payload & Linker business unit from STA, we have leased from STA and operated the relevant operation site in Changzhou. The Changzhou site houses payload-linker facilities, providing services such as the discovery, research, process development and analytical development of payload-linkers. We also carry out pilot-scale synthesis or GMP-compliant production of payload-linkers to support our comprehensive bioconjugate discovery, development and manufacturing services, as well as to offer off-the-shelf payload-linkers for customers in need.

The Changzhou site includes a laboratory with a GFA of approximately 600 sq.m. with a field-tested containment design to safely handle highly potent compounds that OEB5-rated materials. The site is also equipped with reaction kettles for GMP-compliant production with capacity of up to 150 liters, enabling us to produce payload-linkers at a kilogram scale. The Changzhou site is capable of carrying out a wide variety of chemical reactions, including hydrogenation and temperature-sensitive or light-sensitive reactions pertaining to high-potent compounds. It is equipped with isolation and purification instruments, such as HPLC purification and lyophilization systems that can work under GMP conditions. At the Changzhou site, we also develop quantitative analytical methods for payload-linkers and conduct release tests and stability studies to ensure product quality.

Our Facility Expansion Plans

The following table sets forth a summary of certain key information about our facility expansion plans as of the Latest Practicable Date.

Site	Site Area (sq.m.)	Owned/Leased	Primary Use	Designed Capacity
Wuxi	48,067 (the new facility will be hosted in an existing building)	Owned	Clinical or commercial manufacturing of payload-linker, in addition to existing clinical or commercial manufacturing of antibody intermediates, drug substance and drug product	**Payload-linker production line (XPLM1)** • Equipped with reaction kettles with capacity of 5 to 100 liters
Singapore.	18,500	Land acquisition in process	Clinical or commercial manufacturing of antibody intermediates, drug substance and drug product	**Antibody intermediates and drug substance production** • Dual-function XmAb/XBCM3 production line with capacity of producing 200 liters to 2,000 liters per batch for monoclonal antibody intermediates and up to 2,000 liters per batch of bioconjugate drug substance • XBCM4 production line with capacity of up to 500 liters of bioconjugate drug substance per batch **Conjugation drug product production** • Two drug product manufacturing lines with annual capacities of up to eight million vials and three million vials, respectively

Wuxi Site

We seek to expand our manufacturing capabilities and capacity at the Wuxi site, so that our capabilities encompass the full-spectrum from antibody intermediates to drug products to achieve self-sufficient operations, and our capacity meets the needs of multiple late-stage bioconjugate development and manufacturing projects. We believe our expansion plan for the Wuxi site would allow us to further integrate manufacturing functions, expedite timelines and facilitate quality assurance, and to enable us keep pace with the growing global demand for bioconjugate outsourcing services.

In particular, we are building additional facilities in Wuxi for clinical or commercial manufacturing, including a kilogram-scale payload-linker production line ("**XPLM1**"), which will be equipped with reaction kettles for GMP-compliant production with capacity of 5 to 100 liters. XPLM1 will be hosted in an existing building at the Wuxi site, therefore no additional regulatory approvals are required for the facility expansion. We expect that the XPLM1 facility will commence GMP-compliant operations in the fourth quarter of 2023.

We will continue to assess our manufacturing capacity from time to time based on the projects in our pipeline and the utilization rate of our manufacturing facilities in operation. Should the need arise, we will plan and build additional manufacturing facilities at our Wuxi site ahead of time.

Singapore Site

Outside of China, we are planning to establish a manufacturing base in Singapore to meet the growing demand from customers worldwide for comprehensive bioconjugate CRDMO services and implement a "global dual sourcing" strategy, which supports continuous and timely provision of services to our customers around the globe. We selected Singapore as the location of our new manufacturing facility because Singapore is a vibrant hub of the global biopharmaceutical industry that may bring us significant opportunities in brand promotion and customer acquisition.

The planned Singapore site with a total site area of approximately 18,500 sq.m. will be located in the new CRDMO center in Tuas, Singapore.

Four production lines are planned to be established at the Singapore site for clinical and commercial manufacturing, including a dual-function production line for antibody intermediates for bioconjugates and drug substance ("**XmAb/XBCM3**"), a production line for drug substance ("**XBCM4**"), as well as two drug product manufacturing lines ("**XDP3**" and "**XDP4**"). The dual-function XmAb/XBCM3 facility is designed with capabilities ranging from 200 liters to 2,000 liters per batch for monoclonal antibody intermediates or up to 2,000 liters of bioconjugate drug substance per batch. The XBCM4 facility is designed with capabilities of up to 500 liters of bioconjugate drug substance per batch. The conjugation drug product facilities XDP3 and XDP4 are designed to produce the liquid and lyophilization dosage forms with the annual capacity of up to eight million vials and three million vials in isolated filling lines equipped with one 10 sq.m. lyophilizer and two 30 sq.m. lyophilizers, and one 5 sq.m. lyophilizer and one 10 sq.m. lyophilizer, respectively. Our facilities in China will supply the payload-linkers needed for Singapore site's operations. We do not expect the transport of such payload-linkers will significantly increase the operating costs of our facilities, as the transportation of payload-linkers is generally uncomplicated, and we plan to utilize bulk shipment to lower potential transportation and logistics expenses. We have started the design of the site and expect to commence GMP-compliant operations by 2026.

As of the Latest Practicable Date, the WXB Group had secured a land offer from the relevant authority in Singapore for its Singapore expansion as well as our Singapore site. We were formulating the detailed construction plan as of the same date. We are not aware of any existing or potential legal impediments in connection with the planned construction. We intend to fund the establishment of the Singapore site by using part of the [**REDACTED**] from the [**REDACTED**]. For additional information, see "Future Plans and [**REDACTED**]" in this document.

RESEARCH AND DEVELOPMENT

We believe research and development is critical to bolster our fully integrated one-stop bioconjugate discovery, development and manufacturing platform and propel our future growth to remain competitive in the global bioconjugate outsourcing services market. Our research and development activities are mainly focused on (i) developing and applying technologies that enhance our integrated and comprehensive services, in particular to enrich our discovery capabilities, build and apply conjugation technologies, novel carriers and payload-linkers, and deepen process development expertise including drug product formulations, among others, and (ii) improving the quality and efficiency of our services and minimizing costs. Our research and development activities regarding conjugation technologies and novel carriers and payload-linkers mainly involve expanding the scope of our capabilities in generating and developing proper processes for different types of bioconjugates, which we refer to as "XDCs," and improve the overall quality of those XDCs. During the Track Record Period, we researched and developed a rich portfolio of conjugation technologies, including optimizing and expanding the application of our proprietary conjugation technologies, as well as deployed various types of payload-linkers. We have completed CMC development and initiated GMP manufacturing using over 10 conjugation technologies for both ADC and other bioconjugates. We believe these efforts and proprietary technologies generated would keep us ahead of other competitors and enable our customers to develop first-in-class or best-in-class bioconjugate products for a broader range of therapeutic areas. As of September 30, 2023, we had 424 research and development personnel, of which 320 hold a master's or higher degree.

For the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023, our research and development expenses were RMB4.1 million, RMB13.8 million, RMB33.8 million and RMB29.7 million, respectively, accounting for 4.2%, 4.4%, 3.4% and 3.0% of our revenue for the corresponding periods. For a more detailed discussion of our research and development expenses, see "Financial Information" of this document. We expect to experience an increase in our research and development expenses generally in line with the growth of our revenue going forward.

EMPLOYEES

As of September 30, 2023, we had a total of 1,110 employees, of whom 269 were located in Shanghai, 712 were located in Wuxi, Jiangsu Province and 116 were located in Changzhou, Jiangsu Province. One employee was located in Hong Kong, three employees, who primarily supported our business development activities in Europe, were located in Germany, and nine employees were working from home as of the same date. As of September 30, 2023, we had 511 employees who have obtained a master's or higher degree, with 83 holding a Ph.D. or equivalent degree.

We have established independent key functional departments, including finance and internal audit. We intend to enter into relevant agreements with the Remaining WXB Group regarding the sharing of certain general administrative services with respect to business development, human resources, information technology and other general administrative services. We intend such shared functions to

relate only to peripheral aspects of our business operations and can be easily replicated by ourselves should we decide to do so. For additional details, see "Connected Transactions." The table below sets forth a breakdown of our employees by function as of September 30, 2023.

Function	Number of Employees
Research and development	424
Bioconjugation manufacturing	420
Quality assurance and quality control	150
Management and administration	116
Total	**1,110**

We believe that our success depends in part on our ability to attract, recruit and retain quality employees. We enter into individual employment contracts and confidentiality agreements with our employees. The employment contracts cover matters such as wages, benefits and grounds for termination. The remuneration package of our employees generally includes salary and bonus elements. In general, we determine the remuneration package based on the qualifications, position and performance of our employees. We also make contributions to social insurance fund, including basic pension insurance, medical insurance, unemployment insurance, childbirth insurance, work-related injury insurance funds, and housing reserve fund. In addition, we have adopted share option schemes to provide an additional means to attract, motivate, retain and reward our employees.

The contracts with our key management and research personnel typically include a standard non-compete agreement that prohibits the employee from competing with us, directly or indirectly, during his or her employment and typically for one to two years after the termination of his or her employment. The contracts also typically include undertakings regarding assignment of inventions and discoveries made during his or her employment.

We provide our employees with opportunities to work on cutting-edge projects on ADCs and other bioconjugates to develop their knowledge and skills. We have an effective training system, including orientation and continuous on-the-job training, to accelerate the learning progress and improve the knowledge and skill levels of our workforce. The orientation process for newly joined employees covers subjects such as corporate culture and policies, work ethics, introduction to the ADC and other bioconjugate development process, quality management, as well as occupational safety. Our periodic on-the-job training covers streamlined technical know-hows of our integrated services, environmental, health and safety management systems and mandatory training required by applicable laws and regulations. We also aim to further enhance a collaborative work environment that encourages our employees to develop their career with us.

In support of our growth, we pay close attention to our capabilities and adjust our workforce to ensure that our workforce can meet the demand for our services. During the Track Record Period, we had primarily adopted a direct recruitment policy to seek talents from recent graduates of top universities through on-campus recruiting events in China and recruit lateral employees with the suitable background.

We believe that we maintain a good working relationship with our employees. We had not experienced any material labor disputes or any material difficulties in recruiting employees for our operations during the Track Record Period and up to the Latest Practicable Date.

PROJECT MANAGEMENT

We have developed a project management methodology to ensure timely, consistent and accurate delivery of quality services. We generally assume full project management responsibility for our projects. Upon receiving a new project from a customer, our project management team will set the schedule of the project and liaise with other departments to determine the staffing of the project team. A leading scientist is usually appointed, who is primarily responsible for overall planning, overseeing the entire project and facilitating discussions and coordination to achieve a seamless alignment between upstream and downstream functions to smoothen project execution. Scientists assigned on a project team are typically divided into several groups based on the type of services to be provided. Each group is assigned a group leader who is responsible for supervising the services carried out by such group and reporting back to the leading scientist of the project team.

Our project management team also works closely with the project team to monitor the progress of the project and liaises with the customer through daily emails, bi-weekly reports and regular conference calls to give the customer timely updates of the progress of the project. To ensure our service quality, each technical report will be reviewed by the head of the relevant department before being submitted to the customer.

We strictly adhere to our internal quality and project management processes. We believe our processes, methodologies and knowledge management systems reduce the overall cost for our customers and enhance the quality and speed of delivery.

SALES AND MARKETING

We market our services directly to pharmaceutical and biotechnology companies through regular sales meetings with their representatives and senior management. During those meetings, we highlight the advantages of our integrated and comprehensive service capabilities and emphasize on how we can address challenges associated with the discovery, development and manufacturing of ADCs and other bioconjugates to save time and costs. We utilize multiple digital marketing and promotional channels, including advertisements, press releases, social media, webinars, podcasts and email updates, to promote our technologies, platforms and services. We also provide extensive information about our integrated services and our technology platform, our competitive and technical advantages and training and educational resources on our corporate website.

In addition, we actively participate in trade conferences, trade shows and scientific conferences. While the COVID-19 pandemic affected the way we interacted with customers, particularly in China, as interactions between large groups were primarily virtual events, we were nonetheless able to participate in many in-person targeted events such as the World ADC London and San Diego conferences tailored to the ADC market. We are of the view that the COVID-19 pandemic did not have a prolonged material adverse impact on our sales and marketing efforts, and we were able to grow the number of customers we served each year during the Track Record Period. With the lifting of COVID-19 restrictions in China and overseas, we expect to participate in more in-person meetings with customers and industry players to cultivate relationships and solidify brand recognition. Since our inception, our senior management has been actively involved in managing our sales and marketing activities and maintaining direct relationships with our key customers.

Our sales and marketing efforts are supported by a team of well-trained specialists who are dedicated to understanding the demands of existing and prospective customers and work closely with our technical experts to prepare quotes and to secure customer orders. We also gain our business through referrals from our customers.

CUSTOMERS

Our diverse and growing customer base includes both innovative biotechnology companies and global pharmaceutical companies, many of which are leading players in the ADC and bioconjugate space with potentially first-in-class or best-in-class pipeline programs. We provide tailored laboratory configuration and setup, research plans, operating procedures, information technology and security protocols to our customers to suit their specifications.

During the Track Record Period, part of our bioconjugate CRDMO services were provided to customers that had formally contracted with the Remaining WXB Group. Because these contracts were entered into before the [**REDACTED**], the customers did not directly contract with a member of our Group. We view this practice as being in line with our historical development. After the formation of joint venture in May 2021 between WuXi Biologics and STA Pharmaceutical, we started to gradually educate customers about our distinct capacity and encourage customers to sign contracts directly with members of our Group. We will continue to contract directly with our customers going forward. For additional information about the historical amount of the ADC Master Services Agreement in each period of the Track Record Period, see "Connected Transactions."

We have a broad, loyal and fast-growing customer base globally. We served a total of 49, 115, 167 and 169 ultimate customers (taking into account the customers of the legacy contracts who formally contracted with the Remaining WXB Group but made use of our bioconjugate CRDMO services) in each year of 2020, 2021, 2022 and the six months ended June 30, 2023, respectively. In the first six months of 2023, 37.0%, 35.9%, 23.1% and 4.0% of the total revenue was generated from ultimate customers from North America, China, Europe and the rest of the world, respectively, based on the location of the customers' headquarters. For a breakdown of our total revenue by geographic locations, see "Financial Information." During the same periods, our five largest ultimate customers contributed to 51.9%, 39.8%, 34.1% and 45.7%, respectively, of our total revenue, and our largest ultimate customer accounted for 14.5%, 13.1%, 8.9% and 13.2%, respectively, of our total revenue. See "Risk Factors — Risks Relating to Our Business and Industry — The potential loss of major customers or any of our large contracts could materially and adversely affect our business, financial condition and results of operations" for more information.

The following table sets forth certain information about our five largest ultimate customers in terms of revenue generated in the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023, respectively. We provided CRDMO services to these customers.

			For the six months ended June 30, 2023			
Customers	**Relationship Since[1]**	**Background**	**Number of Projects**	**Development Stage**	**Revenue**	**Revenue Contribution**
					(RMB in millions)	**(%)**
Customer A . . .	2015	A global healthcare company headquartered in the U.S. primarily engaged in innovative drug development. It recorded over US$55 billion in revenue in 2022. It is listed on the New York Stock Exchange.	11	Pre-IND + Post-IND	131.3	13.2
Customer B . . .	2021	A clinical-stage company headquartered in China committed to the R&D, manufacturing and commercialization of novel drugs and has more than 10 clinical-stage assets under development in oncology, immunology and other therapeutic areas since incorporation in 2016. It has established collaboration partnerships with leading pharmaceutical companies. It generated over RMB800 million in revenue in 2022, which is mainly from license and collaboration agreements. It is listed on the HKEx.	5	Post-IND	131.2	13.2

			For the six months ended June 30, 2023			
Customers	**Relationship Since[1]**	**Background**	**Number of Projects**	**Development Stage**	**Revenue**	**Revenue Contribution**
					(RMB in millions)	**(%)**
Customer C . . .	2020	A clinical-stage company headquartered in China focusing on the discovery and development of the ADC therapeutics for cancer and autoimmune diseases. It has several clinical-stage assets under development, which are for the treatment of tumors, including two assets in the Phase II stage. It formed a global strategic partnership with a leading European biotechnology company in April 2023, with the development, regulatory and commercial milestone payments potentially totaling over US$1.5 billion. It is not listed on any stock exchange.	10	Pre-IND + Post-IND	72.9	7.3
Customer D . .	2021	A biotechnology company headquartered in France founded in 2018, focusing on the discovery and development of ADCs in solid tumor and hematology fields. It has one preclinical-stage asset under development for the treatment of tumors as well as multiple assets in discovery stage. It is not listed on any stock exchange.	2	Pre-IND	69.0	6.9

			For the six months ended June 30, 2023			
Customers	Relationship Since[1]	Background	Number of Projects	Development Stage	Revenue	Revenue Contribution
					(RMB in millions)	(%)
Customer E . . .	2019	A U.S.-based clinical-stage company developing antibody-based therapeutics. It has several clinical-stage assets under development, which are for the treatment of tumors. It is also developing a broad pipeline of novel preclinical ADCs and monoclonal antibodies for oncology indications. It is not listed on any stock exchange.	5	Pre-IND + Post-IND	50.7	5.1
				Total	**455.1**	**45.7**

			For the year ended December 31, 2022			
Customers	Relationship Since[1]	Background	Number of Projects	Development Stage	Revenue	Revenue Contribution
					(RMB in millions)	(%)
Customer C . . .	2020	A clinical-stage company headquartered in China focusing on the discovery and development of the ADC therapeutics for cancer and autoimmune diseases. It has several clinical-stage assets under development, which are for the treatment of tumors, including two assets in the Phase II stage. It formed a global strategic partnership with a leading European biotechnology company in April 2023, with the development, regulatory and commercial milestone payments potentially totaling over US$1.5 billion. It is not listed on any stock exchange.	7	Pre-IND + Post-IND	87.8	8.9

Customers	Relationship Since[1]	Background	For the year ended December 31, 2022			
			Number of Projects	Development Stage	Revenue (RMB in millions)	Revenue Contribution (%)
Customer A . . .	2015	A global healthcare company headquartered in the U.S. primarily engaged in innovative drug development. It recorded over US$55 billion in revenue in 2022. It is listed on the New York Stock Exchange.	5	Post-IND	78.3	7.9
Customer F . . .	2021	A U.S.-based clinical-stage company focusing on developing cancer therapeutics. It has several clinical-stage assets under development, which are for the treatment of various types of tumors. It is listed on the Nasdaq.	2	Post-IND	66.4	6.7
Customer E . . .	2019	A U.S.-based clinical-stage company developing antibody-based therapeutics. It has several clinical-stage assets under development, which are for the treatment of tumors. It is also developing a broad pipeline of novel preclinical ADCs and monoclonal antibodies for oncology indications. It is not listed on any stock exchange.	7	Pre-IND + Post-IND	61.5	6.2

			For the year ended December 31, 2022			
Customers	**Relationship Since[1]**	**Background**	**Number of Projects**	**Development Stage**	**Revenue**	**Revenue Contribution**
					(RMB in millions)	**(%)**
Customer B . . .	2021	A clinical-stage company headquartered in China committed to the R&D, manufacturing and commercialization of novel drugs and has more than 10 clinical-stage assets under development in oncology, immunology and other therapeutic areas since incorporation in 2016. It has established collaboration partnerships with leading pharmaceutical companies. It generated over RMB800 million in revenue in 2022, which is mainly from license and collaboration agreements. It is listed on the HKEx.	4	Post-IND	43.6	4.4
				Total	**337.6**	**34.1**

			For the year ended December 31, 2021			
Customers	Relationship Since[1]	Background	Number of Projects	Development Stage	Revenue	Revenue Contribution
					(RMB in millions)	(%)
Customer A . . .	2015	A global healthcare company headquartered in the U.S. primarily engaged in innovative drug development. It recorded over US$55 billion in revenue in 2022. It is listed on the New York Stock Exchange.	2	Post-IND	40.7	13.1
Customer G . .	2016	A U.S.-based clinical-stage company developing antibody-based therapeutics. It has several clinical-stage assets under development, which are for the treatment of tumors, including two assets in the Phase II stage. It is listed on the Nasdaq.	3	Pre-IND + Post-IND	25.5	8.2
Customer H . .	2021	A South Korean clinical-stage company dedicated to the discovery and development of innovative medicines. It has several clinical-stage assets under development, which cover oncology, immunology and other therapeutic areas, including one asset in the Phase III stage. It recorded more than US$20 million in revenue in 2022 and is listed on KOSDAQ.	4	Pre-IND	22.2	7.1
Customer I . . .	2017	A U.S.-based company developing targeted therapeutics. It was listed on the Nasdaq before merging with another U.S.-based biotechnology company in 2022 and the combined company remained listed on the Nasdaq.	3	Pre-IND + Post-IND	18.5	5.9

			For the year ended December 31, 2021			
Customers	Relationship Since[1]	Background	Number of Projects	Development Stage	Revenue	Revenue Contribution
					(RMB in millions)	(%)
Customer J . . .	2013	A biotechnology company headquartered in the U.S. dedicated to the discovery and development of medicines. It is a subsidiary of a leading global pharmaceutical company and has over 13,000 employees and more than 40 marketed medicines. It is not listed on any stock exchange.	5	Pre-IND	17.1	5.5
				Total	**124.0**	**39.8**

			For the year ended December 31, 2020			
Customers	Relationship Since[1]	Background	Number of Projects	Development Stage	Revenue	Revenue Contribution
					(RMB in millions)	(%)
Customer K . . .	2019	A clinical-stage biotechnology company headquartered in China with a clinical-stage pipeline of ADCs. It has several clinical-stage assets under development, which are for the treatment of tumors. It is a subsidiary of a HKEx-listed pharmaceutical company.	4	Post-IND	14.0	14.5
Customer J . . .	2013	A biotechnology company headquartered in the U.S. dedicated to the discovery and development of medicines. It is a subsidiary of a leading global pharmaceutical company and has over 13,000 employees and more than 40 marketed medicines. It is not listed on any stock exchange.	5	Pre-IND	13.8	14.3

Customers	Relationship Since[1]	Background	For the year ended December 31, 2020			
			Number of Projects	Development Stage	Revenue (RMB in millions)	Revenue Contribution (%)
Customer L . . .	2018	A U.S.-based clinical-stage company primarily engaged in the discovery and development of cancer therapies. It was acquired by Customer E in 2020 with a valuation of over US$2.7 billion. It is not listed on any stock exchange.	1	Post-IND	8.9	9.2
Customer M . .	2018	A U.S.-based clinical-stage company developing drugs for autoimmune diseases. It is a subsidiary of a Japanese pharmaceutical company. It is not listed on any stock exchange.	2	Pre-IND	7.5	7.8
Customer N . .	2019	A clinical-stage company headquartered in South Korea primarily engaged in developing drugs in multiple therapeutic areas. It has several clinical-stage assets under development, which cover oncology and immune-modulation, including one asset in the Phase II stage. It is not listed on any stock exchange.	1	Pre-IND	5.8	6.1
				Total	**50.0**	**51.9**

(1) Denotes the first time when we were engaged, directly or through the Remaining WXB Group, to provide bioconjugate CRDMO services.

In years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023, our five largest direct customers (i.e., customers directly contracted with us) for each year/period together accounted for 98.0%, 91.1%, 61.2% and 53.3%, respectively, of our total revenue, and our largest direct customer, the Remaining WXB Group, for each year/period accounted for 84.1%, 81.1%, 37.9% and 13.8%, respectively, of our total revenue. The significant decrease of the Remaining WXB Group's contribution to our revenue is largely due to our gradual entry into direct contractual relationship with our customers.

During the Track Record Period and up to the Latest Practicable Date, we had not encountered any material dispute with our customers or any material breach of our service contracts or agreements. To the best of our knowledge, as of the Latest Practicable Date, we were not aware of any information or arrangement that would lead to termination of relationships between any key direct or ultimate customers and its counterparty (i.e., the Remaining WXB Group or our Group). None of our Directors, their respective associates, or Shareholders who, to the knowledge of our Directors, own 5% or more of our issued share capital had any interest in any of our five largest direct or ultimate customers, other than with respect to the Remaining WXB Group and the WXAT Group, during the Track Record Period. For additional information about our relationship with the Remaining WXB Group and the WXAT Group, see "Relationship with Our Controlling Shareholders" and "Connected Transactions."

Key Contractual Terms with Our Customers

We generally enter into framework service agreements or project-based service contracts with our customers for our services. Our framework service agreements typically do not have a maturity date and set forth general rights and obligations of the parties. Services for each project under a framework service agreement will be provided pursuant to a separate and distinct work order, which sets forth project specifications, project management regime, project schedule and discovery, development and/or manufacturing steps, rules governing reporting and transfer of data and results, service fee and payment instructions. These work orders are not necessarily based on the development stages and instead are based on the progress of projects and strategically align with the customers' research and development needs. Our project-based service contracts, which are of similar nature to the work orders under the framework service agreements, typically have a term ranging from a number of months to several years. These contracts terminate upon the completion of the relevant projects and set forth project specifications, project management regime, project schedule and discovery, development and/or manufacturing steps, payment terms, confidentiality obligations of the parties, ownership of intellectual property rights, termination clause and other general terms and conditions.

The table below summarizes the key contractual terms under framework service agreements/work orders and project-based service contracts with our customers. Our business operations are covered by various insurance policies, including product liability and professional errors and omission insurance. See "— Insurance" for additional information about our insurance.

Project Management	The customer is entitled to visit the project site, with prior written notice, to conduct on-site inspections and consult with the researcher and development staff to monitor the implementation of the project. Under project-based service contracts, the customer and we will further establish a project management committee, which is responsible for the review, supervision and coordination of the project.
Outsourcing	Unless otherwise approved by the customer, we are not allowed to outsource the research and development services to third parties other than our affiliates. We should bear joint liabilities for such third parties, including our affiliates.

Billing

The overall expenses consist of (i) the raw material expenses and (ii) service fees. Each project under project-based service contracts is divided into several sub-projects, and each work order under framework service agreements is split into several sub-activities, with detailed and pre-agreed research content and work product. The service fees are billed upon the completion of each research content, which is subject to the customer's inspection of the work product. Typically, experimental failure, unless caused by us, would not affect billing.

Inspection

After completion of each research content, we will first conduct the internal quality inspection, and then submit a report, which is usually issued in our standardized platform report format, and work product to the customer for inspection. The customer also has the option to conduct its own inspection and issue a report. Once the customer has confirmed the report, the inspection and acceptance of the deliverables are deemed complete. For project-based service contracts, the customer should complete the inspection typically within 10 business days. For framework service agreements, the inspection period is generally 15 business days.

Payment

Generally, the payment is made by installment. For project-based service contracts, the customer should make the first payment, usually 30% of the overall expenses, after signing the contract. The subsequent payment is made upon the completion of research content and is settled on a monthly basis. The customer should also make prepayments for the initiation of significant sub-projects. For framework service agreements, the payment is specified within each separate and distinct work order and is charged by each individual sub-activity therein. The customer should make the payments, usually 50% and 50% of the overall expenses for each sub-activity, at the initiation and upon completion of such sub-activity, respectively.

Cancellation

If the customer cancels any sub-project for project-based service contracts or any work order for framework service agreements, we may be required to seek other potential alternative customers to avoid loss. If no such alternative customers are available, we will charge the full amount of raw material expenses and a portion of service fees, the percentage of which is set based on the notice period of such cancellation and/or the services rendered and all non-cancelable obligations in connection with the services, and the amount can be up to the full service fees. The percentage we charge for cancellation based on the notice period of such cancellation depends on the nature of the relevant work initially requested and may be subject to negotiation on a case-by-case basis. For example, for cancellation of a work order for a cGMP manufacturing run and engineering run of a bioconjugate product, percentages of service fees we charge may be nil, 75% or 100% when we receive the cancellation notice greater than 120 days before the scheduled cGMP manufacturing run, between 61 to 120 days before the scheduled cGMP manufacturing run, or within 60 days before the scheduled manufacturing run or anytime thereafter, respectively.

Our customers typically retain ownership of all intellectual property associated with their projects, including both intellectual property it provides to us and that arises from the services we provide, except for intellectual property created or developed in connection with the provision of our services that is derivative of our own intellectual property or that relates to manufacturing processes developed at our expense. Generally, the customer has, and in some cases we as well have, the right to terminate a framework service agreement or project-based service contract or a work order under the framework service agreement without cause by giving prior written notice (typically ranging from two months to six months). In addition, each party typically has the right to terminate a framework service agreement or project-based service contract or a work order under the framework service agreement immediately upon notice to the other party if a material breach by the other party is not curable or remains uncured for a period of time (typically ranging from 30 days to 90 days) after notice of the material breach is received by the other party. If a customer terminates a project-based service contract or a work order, the customer is typically obliged to pay for the services already rendered and costs and expenses already incurred or irrevocably committed up to the date we receive the termination notice, and in some cases the customer is also obliged to pay a cancellation fee. During the Track Record Period, there was no cancellation of sub-projects.

During the Track Record Period, there were no material breaches of our service agreements either on our part or the part of our customers, and there was no termination of any contract. We were not subject to any exclusivity clause in our provision of services during the same period. There were no amount of services fees that could not be collected as there were no dispute between customers and us on the acceptance of deliverables during the Track Record Period.

Payment Terms

Under the FFS model, a contract or work order typically comprises a number of tasks, each including several discovery, development and/or manufacturing steps. We bill our customers by task and typically give our customers a credit term between 30 to 60 days. We typically require our customers to make a portion of the corresponding payment upon the commencement of each task and the remaining payment will be paid to us after we complete such task to the satisfaction of our customers. Under an FFS contract or work order, we are typically required to deliver a technical laboratory report, product/samples and/or other deliverables and transfer the relevant data and rights to the customer upon completion of each discovery, development or manufacturing step. Upon the acceptance of such deliverables by our customers, the relevant discovery, development or manufacturing step is deemed to be completed and revenue is recognized. Under the FTE model, we typically require the customer to make monthly payments for services rendered with a credit term between 30 to 60 days. With respect to the milestone fee structure, we typically require the customer to make payment within 30 to 90 days after the completion of each predefined milestone.

Customer Support

To facilitate project management, we have developed an online system allowing a customer's project manager to monitor and report on the progress of its projects through an encrypted website. Additionally, our project team interacts with a customer's project-management team through daily emails, bi-weekly reports and regular conference calls. Our project management involves strict adherence to our strategic imperative to protect our customers' intellectual property and other confidential information. See "— Intellectual Property" for more information.

We conduct frequent customer satisfaction surveys with certain key customers, which enable us to measure key performance indicators to improve our planning, execution, evaluation and support. We focus internally on operational improvement and innovation to achieve lower direct costs, better use of assets, faster discovery and development time, increased accuracy, greater customization or precision of data, more added value and simplified processes. Dedicated to improving responsiveness to our customers' needs and inquiries, our customer support department focuses on sales support and relationship management with our customers.

During the Track Record Period, our customers conducted an aggregate of approximately 60 audits and inspections on our facilities. These audits and inspections are intended to ensure that the bioconjugates manufactured at our facilities meet the cGMP requirements imposed by the relevant government authorities (for example, the FDA and the NMPA) in the country or region in which the bioconjugates are intended to be used in clinical trials or distributed after commercialization is approved. Our Directors confirm that there were no material findings in the audits and inspections conducted by our customers or material product quality complaints received from our customers during the Track Record Period.

SUPPLIERS

The raw materials and equipment required for the provision of our services are generally readily available in the market through a number of suppliers. During the Track Record Period and up to the Latest Practicable Date, we did not procure raw materials or equipment that were subject to export control laws and regulations. During the Track Record Period, procurement of raw materials for the WXB Group was conducted on a centralized basis, which had enabled us to benefit from the substantial economies of scale that are associated with the magnitude of the global business of the WXB Group. During the Track Record Period, we also sourced certain property, plant and equipment ("**PPE**") through the aforementioned centralized procurement system rather than directly from suppliers. For additional information on the arrangement, see "Connected Transactions."

We trace the raw materials and PPE from third-party suppliers to our Group by matching the unique material code in the transaction records of the WXB Group, and we thereby attribute expenses to specific ultimate suppliers of our Group. We believe such treatment fairly depicts the relationship between our Group and our ultimate suppliers during the Track Record Period. The following table sets forth certain information about our five largest ultimate suppliers (on a grouped basis) in terms of purchases in 2020, 2021 and 2022 and the six months ended June 30, 2023, respectively.

			For the six months ended June 30, 2023		
Suppliers	**Relationship Since[1]**	**Background and Principal Business**	**Main Services/ Products/ Equipment Procured**	**Procurement Amount**	**Procurement Contribution**
				(RMB in millions)	**(%)**
Remaining WXB Group	2013	A leading global fully-integrated biologics CRDMO providing one-stop, end-to-end biologics services. Its CRDMO platform enables clients and partners from early as the discovery and preclinical 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.	Service and materials	483.3	60.8
WXAT Group . . .	2013	Headquartered in China, the company is principally engaged in the provision of research, development and manufacturing services which include chemistry drugs CRDMO, biology discovery, preclinical testing and clinical research services, and cell and gene therapies CTDMO.	Service and materials	65.0	8.2
Supplier A	2021	A China-based company engaging in construction and engineering contracting work.	Construction	33.8	4.3
Supplier B	2022	Chinese headquarter of a U.S. non-profit organization which is a medicine standard-setting body.	Real estate	25.4	3.2
Supplier C	2019	A U.S.-based supplier of scientific instrumentation, reagents, consumables, and software services.	Equipment and materials	17.6	2.2
			Total	**625.1**	**78.7**

			For the year ended December 31, 2022		
Suppliers	**Relationship Since[1]**	**Background and Principal Business**	**Main Services/ Products/ Equipment Procured**	**Procurement Amount**	**Procurement Contribution**
				(RMB in millions)	**(%)**
Remaining WXB Group	2013	A leading global fully-integrated biologics CRDMO providing one-stop, end-to-end biologics services. Its CRDMO platform enables clients and partners from early as the discovery and preclinical 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.	Service and materials	444.4	39.9
WXAT Group	2013	Headquartered in China, the company is principally engaged in the provision of research, development and manufacturing services which include chemistry drugs CRDMO, biology discovery, preclinical testing and clinical research services, and cell and gene therapies CTDMO.	Service and materials	132.9	11.9
Supplier A	2021	A China-based company engaging in construction and engineering contracting work.	Construction	99.4	8.9
Supplier B	2022	Chinese headquarter of a U.S. non-profit organization which is a medicine standard-setting body.	Real estate	74.6	6.7
Supplier D	2017	A China-based pharmaceutical equipment supplier.	Equipment	49.0	4.4
			Total	**800.3**	**71.8**

			For the year ended December 31, 2021		
Suppliers	**Relationship Since[1]**	**Background and Principal Business**	**Main Services/ Products/ Equipment Procured**	**Procurement Amount**	**Procurement Contribution**
				(RMB in millions)	**(%)**
Remaining WXB Group	2013	A leading global fully-integrated biologics CRDMO providing one-stop, end-to-end biologics services. Its CRDMO platform enables clients and partners from early as the discovery and preclinical 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.	Service and materials	31.7	15.0
WXAT Group	2013	Headquartered in China, the company is principally engaged in the provision of research, development and manufacturing services which include chemistry drugs CRDMO, biology discovery, preclinical testing and clinical research services, and cell and gene therapies CTDMO.	Service and materials	23.3	11.0
Supplier A	2021	A China-based company engaging in construction and engineering contracting work.	Construction	21.7	10.3
Supplier E	2016	A Germany-based life sciences and technology company providing a range of healthcare and chemical products.	Equipment and materials	18.3	8.7
Supplier D	2017	A China-based pharmaceutical equipment supplier.	Equipment	16.2	7.7
			Total	**111.2**	**52.7**

			For the year ended December 31, 2020		
Suppliers	**Relationship Since[1]**	**Background and Principal Business**	**Main Services/ Products/ Equipment Procured**	**Procurement Amount**	**Procurement Contribution**
				(RMB in millions)	**(%)**
Supplier F	2020	A China-based company engaging in construction and engineering contracting work.	Construction	24.5	32.8
Supplier E	2016	A Germany-based life sciences and technology company providing a range of healthcare and chemical products.	Equipment and materials	4.5	6.0
Remaining WXB Group	2013	A leading global fully-integrated biologics CRDMO providing one-stop, end-to-end biologics services. Its CRDMO platform enables clients and partners from early as the discovery and preclinical 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.	Service and materials	4.2	5.6
Supplier G	2020	A China-based company offering design and construction of pharmaceutical fluid system.	Construction	3.4	4.5
Supplier C	2019	A U.S.-based supplier of scientific instrumentation, reagents, consumables, and software service.	Equipment and materials	2.8	3.7
			Total	**39.4**	**52.6**

(1) Denotes the first time we procured products or services directly or through the Remaining WXB Group from the supplier.

The following table sets forth the breakdown of the transaction amounts with the Remaining WXB Group and the WXAT Group by purchase of services and materials during the Track Record Period.

		For the year ended December 31,			For the six months ended June 30,
Suppliers	**Procured Content**	**2020**	**2021**	**2022**	**2023**
			(RMB in millions)		
Remaining WXB Group	Service[3]	1.9	30.0	441.1	477.1
	Materials[2]/ Equipment	2.3	1.7	3.3	6.2
	Subtotal	**4.2**	**31.7**	**444.4**	**483.3**
WXAT Group	Service[3]	–	19.7	67.6	62.6
	Materials[3]	–	3.6	65.3	2.4
	Subtotal	**–**	**23.3**	**132.9**	**65.0**

Notes:

1. These transaction amounts with the Remaining WXB Group and the WXAT Group (the "**Business-related Amounts**") are different from the historical transaction amounts of the continuing connected transactions under "Connected Transactions" of the Document (the "**CCT-related Amounts**") due to different accounting treatments only.
2. For the materials/equipment supplied between our Group and the Remaining WXB Group, the relevant Business-related Amounts are presented on a "look-through basis" while the relevant CCT-related Amounts are presented on a "non look-through basis".
3. For the services supplied between our Group and the Remaining WXB Group and the services and materials supplied between our Group and the WXAT Group, the differences are due to different accounting treatments including but not limited to, labor cost adjustment related to share based payment expenses charged by the Remaining WXB Group to our Group, expenses charged by the Remaining WXB Group to our Group such as supply chain expenses and staff costs charged, VAT adjustment charged by our Group.

The raw materials procured through the centralized procurement system were predominantly laboratory supplies, such as various types of liquid containers and mixer bags, tubing, filters and chemicals. These laboratory supplies are readily available from various independent third parties, according to Frost & Sullivan. The raw materials procured from independent third parties primarily include chemical reagents and laboratory consumables. Going forward, as the business of our Group continues to scale up, we intend to independently procure raw materials and expect to also benefit from our own economies of scale. For the procurement of key equipment, we generally go through a tender process and invite reputable suppliers to submit bids. The PPE procured from independent third parties primarily include laboratory equipment, such as freeze dryers, packaging lines and filling lines. We carefully select our suppliers based on various factors, including their qualifications, product selection, quality, reputation, pricing, business scale, technological strengths, quality management capabilities and overall services. We also request for documents such as licenses and permits and ascertain whether our suppliers have any competitive relationships with us. Our suppliers typically extend to us credit terms ranging between 30 days and 90 days.

We manage the raw materials' inventory levels by monitoring the status of our ongoing projects and incoming new projects and places orders through the centralized procurement system or with suppliers for any inventory that is expected to decline below targeted levels. We procure raw materials and equipment in accordance with our business expansion plan or to replace obsolete equipment on an as-needed basis.

Antibody intermediates are critical components of ADCs. Some customers supply their own antibody intermediates for use in their projects, such that we do not need to procure antibody intermediates for such project. For other cases where we do need to obtain antibody intermediates for a customer's project, we have sourced antibody intermediates, which are generally readily available, from reputable suppliers including the Remaining WXB Group. For additional information about our connected transactions with the Remaining WXB Group regarding antibody intermediates, see "Connected Transactions." We expect to have the option to manufacture such antibody intermediates using our own facilities that are under construction or planned. We anticipate that the completion of our new facilities in Wuxi by the end of 2023 and the completion of the planned manufacturing facilities in Singapore in 2026 can help us meet a large portion of our need for antibody intermediates. For additional information about our planned facility expansion, see "— Facilities."

In the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023, our five largest ultimate suppliers for each year/period together accounted for 52.6%, 52.7%, 71.8% and 78.7%, respectively, of our cost of services, and our largest ultimate supplier for each year/period accounted for 32.8%, 15.0%, 39.9% and 60.8%, respectively, of our cost of services.

None of our Directors, their respective associates, or Shareholders who, to the knowledge of our Directors, own 5% or more of our issued share capital had any interest in any of our five largest direct or ultimate suppliers, other than with respect to the Remaining WXB Group and the WXAT Group, during the Track Record Period. During the Track Record Period, none of our major independent direct suppliers was also our customer. For details of our connected transactions with the Remaining WXB Group and the WXAT Group, see "Connected Transactions."

During the Track Record Period and up to the Latest Practicable Date, we had not encountered any material dispute with our suppliers or any material breach of our supply contracts or agreements. We had not experienced any material shortages of our supplies during the Track Record Period. To the best of our knowledge, as of the Latest Practicable Date, we were not aware of any information or arrangement that would lead to termination of our relationships with any of our major suppliers.

QUALITY MANAGEMENT

We believe that an effective quality management system for procuring raw materials, R&D and manufacturing is critical to ensuring the quality of our services and maintaining our reputation and success. We have inherited from the WXB Group and further developed an in-house quality management system, and we have devoted significant attention to quality control and assurance. We seek to ensure that our services consistently meet high industry standards and requirements. We have established a quality assurance department, which is responsible for supervising the implementation of the quality standards. Based on the research and development and specific manufacturing processes of bioconjugates, we have established quality control measures for all stages of our operations, covering procurement of raw and auxiliary materials, research and development and process development, and manufacturing of bioconjugate intermediates, drug substances and drug products.

As of September 30, 2023, our quality assurance department consisted of 33 dedicated employees with biology, chemistry or related educational backgrounds, of whom 12 held master's or higher degrees. The department is led by Dr. Jincai Li, our executive Director and chief executive officer, who has over 20 years of extensive experience in the pharmaceutical industry. Our quality assurance department also organizes regular training programs to provide updates to its members regarding new quality assurance measures and policies.

Raw Material and Equipment Quality Control

During the Track Record Period, we obtained a substantial part of raw materials from the Remaining WXB Group through the WXB Group's centralized procurement system. The WXB Group has a field-tested raw material quality control system that ensures the quality and trustworthiness of raw materials and their suppliers, and the procurement of raw materials by the WXB Group can benefit from substantial economies of scale that are associated with the magnitude of its global business.

Going forward, as our business continues to scale up and reach certain economies of scale, we will gradually procure our own raw materials independently. We will carefully select raw material suppliers and conduct background checks on supplier candidates in the form of questionnaires and/or on-site audits. For each supply of raw materials, we will request accompanying quality reports from the supplier, which usually contain various quantitative analysis.

For our manufacturing projects, we also perform our own testing of each supply of raw materials, such as the antibody intermediates, in accordance with quality requirements set forth in the relevant specifications. We release raw materials into the manufacturing process only after receiving satisfactory results from our internal testing. Each step of our raw material procurement is documented for our internal records as well as customer audits. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material quality issue relating to our raw materials.

We purchase equipment and spares only from selected reputable suppliers. We conduct inspections and relevant testing on the incoming equipment to ensure that the equipment is in satisfactory condition and fully functional before we accept delivery from our suppliers. We also communicate with the technical and customer support staff of our equipment suppliers regularly for the maintenance and upgrade of our equipment.

R&D and Process Development Procedures

We have implemented comprehensive standard operating procedures to control the quality of service and ensure that the research and development and process development procedures follow the relevant GLP specifications. The quality assurance department is responsible for reviewing GLP experimental plans and experiment execution process, submitting analysis reports to management, submitting experimental plans and summary reports to the relevant regulatory authority, and participating in management meetings to discuss quality/compliance matters, on a regular basis or as appropriate.

Manufacturing

We have also developed standard operating procedures for quality control in the manufacturing process. We have specifically established quality assurance departments to review the integrity of each batch of products manufactured, in order to ensure that cGMP-compliant quality standards are maintained during the manufacturing process. Quality supervisors take samples from each batch of products and laboratory technicians carry out quality inspections on each batch of finished products and issue inspection reports based on the results. Samples that fail to pass the inspection are disposed of in accordance with the requirements of the operating procedures for substandard products. In addition, the quality supervisors are also responsible for the monitoring and supervision of clean environment of workshops to ensure the cleanliness requirements of our facilities and the quality supervision of manufacturing process, and record in a faithful manner to ensure traceability of product quality.

INTELLECTUAL PROPERTY

Protection of Our Intellectual Property

We develop and use a number of proprietary methodologies, technologies, trade secrets, know-how and other intellectual property during the conduct of our business. We rely on a combination of patent, trademark, intellectual property laws and contractual arrangements to protect our intellectual property. As of the Latest Practicable Date, the Remaining WXB Group had completed transfer and/or assignment of material patents, patent applications, registered trademarks and pending trademark applications relating to our business to us. In particular, we have been assigned with three issued patents relating to the WuXiDAR4 technologies in the United States, Japan and Taiwan, 13 pending patent applications in China and overseas, as well as seven registered trademarks relating to the WuXiDAR4 technologies in China, the United States, the EU, the United Kingdom and Japan. See "Statutory and General Information — C. Further Information about Our Business — 2. Intellectual Property Rights of Our Group" in Appendix IV to this document for further details of the material intellectual property rights. In addition, 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. See "Relationship with Our Controlling Shareholders — Independence from Our Controlling Shareholders — Operational Independence — Intellectual property rights" for detailed discussion on intellectual properties transfer and assignment. Based on the Sponsors' independent due diligence on the Company's historical and current IP practices, the Sponsors have no reason to believe that the Company will not be able to carry out its operations without relying on any intellectual property, trade secrets and know-hows of the Controlling Shareholders in its ADC CRDMO process.

We also rely on unpatented trade secrets or know-how to develop and maintain our competitive position. Such trade secrets or know-how include various methodologies or techniques that we have developed for key processes in the bioconjugate development, such as methods of purifying the desired conjugation product from other molecules. We rely on such trade secrets and know-how, for example, to plan, conduct and optimize the conditions for discovery, development and manufacture bioconjugates that lead to high quality results for our customers. We strategically choose not to pursue patent protections over certain know-how or trade secrets because we prefer not publishing such information as typically required in the patent application process or subject such competitive advantages to limited terms of patent exclusivity.

Our employees are bound by confidentiality obligations under their employment contracts and are prohibited from disclosing the intellectual property of our customers' and ours. During the Track Record Period and up to the Latest Practicable Date, to our knowledge, none of our employees breached the confidentiality obligations under their employment contracts.

We enter into agreements with all of our employees under which they disown all intellectual property they create during their employment and waive all relevant intellectual property rights or claims. All of our employees have agreed to disclose and assign to us all inventions conceived by them during their term of employment.

Protection of our Customers' Intellectual Property

Our reputation and business success also depend on our ability to protect the intellectual property rights of our customers. Due to the nature of our services, we typically have access to the drug chemistries, production processes, formulations and other intellectual property owned by or licensed to our customers. We strategically focus on the role of the partner of choice in discovering, developing and manufacturing bioconjugates instead of the role of a drug maker ourselves and therefore do not have interests that conflict with those of our customers. Our customers generally retain ownership of all intellectual property associated with their projects, including the intellectual property that they provide to us and the intellectual property arising from the services we provide.

Protecting the proprietary rights of our customers has been a top priority since our inception. We have established an intellectual property protection process to properly manage the document transmission and archiving, preservation of documents related to R&D and manufacturing, supervision and control of laboratory computers and access to documents in connection with confidential information.

We put a heavy emphasis on record keeping, as our scientists' notes can be used as original data in support of regulatory submissions or patent applications. We are now switching from physical notebooks to electronic notebooks for many of our customers. For physical notebooks, we periodically scan signed and dated notebooks for electronic archiving. Our process preserves the documentation necessary to establish intellectual property ownership should any disputes arise in the future. This process not only significantly enhances the protection of key original information, but also increases customers' confidence and trust in our company.

In addition, we have established virtual and physical firewalls to protect the customer's projects and intellectual property. For instance, we have adopted a laboratory information management system ("**LIMS**") to control information access on a need-to-know basis and to restrict system access in connection with our bioconjugate discovery, development and manufacturing. The electronic record of one customer's project is isolated from that of another customer's project and can only be accessed by the relevant team members. We believe that our LIMS complies with all regulatory requirements regarding security, including data integrity, compatibility and audit-trail generation. To the extent that we are able to, each customer project has dedicated laboratory space equipped with key-card access control systems. Most of our laboratory computers are not connected to the external internet, so that they cannot be accessed by unauthorized external parties and have restricted data-transfer capabilities. We believe that the firewalls restrict potential leaking or intermingling information of different customers and safeguard their intellectual property.

Despite the measures and efforts we have taken to protect our own and our customers' intellectual property, unauthorized parties may attempt to obtain and use information that we regard as proprietary. Under our contractual arrangements with our customers, we typically undertake to indemnify our customers for damages resulting from any third-party intellectual property infringement claims that are solely based on our intellectual property; our customers typically undertake to indemnify us for damages resulting from any third-party intellectual property infringement claims other than those that are solely based on our intellectual property. For more information, see "Risk Factors — Risks Relating to Our Business and Industry — We may not be successful in protecting the intellectual property owned by us or our customers or licensed from third parties." During the Track Record Period and up to the Latest Practicable Date, we were not subject to, nor were we party to, any intellectual property rights infringement claims or litigations and were not aware of any material infringement of our intellectual property rights that had a material adverse effect on our business. We had complied with all applicable intellectual property laws and regulations in all material respects during the Track Record Period and up to the Latest Practicable Date.

COMPETITION

We face competition from other third-party outsourcing service providers for the discovery, development and manufacturing of ADCs and other bioconjugates. The global ADC outsourcing services market is relatively concentrated with the top five players accounting for an aggregate market share of 50.0% in terms of revenue in 2022, according to Frost & Sullivan. Our global market share by revenue increased from 1.8% in 2020 to 4.6% in 2021 and 9.8% in 2022, ranking second in the global ADC outsourcing services market in 2022. We are the only Chinese company among the top 5 players in terms of revenue in 2022. We ranked first in China, the most active ADC out-licensing market globally, with a market share of 69.5% in terms of revenue in 2022, according to the same source.

We face competition based on several factors, including quality and breadth of services, timeliness of delivery, price and geography, maintenance of GLP, GMP and cGMP standards and depth of customer relationships. In terms of entry barriers and key success factors, according to Frost & Sullivan, the global ADC outsourcing services market generally favors participants with integrated and comprehensive services capabilities, geographical proximity of facilities, proprietary technical capabilities and proven quality track record to accomplish the highly regulated process. For more details, see "Industry Overview — Overview of Global ADC Outsourcing Services Market."

According to Frost & Sullivan, what has been an emerging trend in the bioconjugate outsourcing market is the growing preference to CRDMOs like us that provide fully integrated one-stop services with proven and consistent high-quality assurance. This is because using a single CRDMO brings multiple advantages for ADC and bioconjugates developments which require interdisciplinary expertise and collaboration, such as allowing a drug developer to simplify logistics coordination and vendor management, reduce the complexity of technology transfer and expedited the timeline for its drugs to reach the market. In the meantime, for smaller CRDMOs, it requires considerable investments of time and resources that may be out of the reach to build a bioconjugate platform as comprehensive as ours, acquire the necessary technologies and accumulate industry know-how.

We believe that we are able to maintain our services' competitiveness by leveraging our established position in the global ADC and other bioconjugate outsourcing services market and capitalizing on the opportunities offered by the booming ADC and broader bioconjugate market globally. We are also of the view that a comprehensive and integrated service portfolio and effective quality assurance are critical to the continuing success of our business. In addition, our expanding capacity enables us to satisfy the increasing needs of bioconjugate outsourcing and grow with our customers to establish long-term relationships.

INSURANCE

We maintain (1) property insurance policies covering physical damage to, or loss of, our facilities and their improvements, equipment, office furniture and inventory; (2) employer's liability insurance generally covering death or work injury of employees; (3) product liability and professional errors and omissions insurance covering product liability claims arising from the use or operation of our payload-linkers, ADCs or other bioconjugate molecules and claims arising from negligence in connection with our services to customers; (4) public liability insurance covering the legal liability for damages in respect of bodily injury, property damage or other contingencies caused in connection with our business; (5) machinery breakdown insurance covering unforeseen and sudden physical loss or damage to our machinery; (6) cargo insurance covering physical loss or damage to freight during transportation; and (7) directors and officers liability insurance. We do not maintain key-man life insurance for any members of our senior management or other key personnel or business disruption insurance.

We believe that our insurance coverage is adequate. Nevertheless, our insurance coverage may be insufficient to cover all liabilities against or damages to us and could therefore result in substantial costs or a diversion of resources. See "Risk Factors — Risks Relating to Our Business and Industry — We have limited insurance coverage, and any claims beyond our insurance coverage may result in us incurring substantial costs and a diversion of resources."

PROPERTIES

We have owned and leased a number of properties in Shanghai, Changzhou and Wuxi in China. The following table sets forth a summary of the properties owned or leased by us as of the Latest Practicable Date. None of our properties were used as the collateral for mortgages.

Location	Type of Property	Area (sq.m.)	Ownership	Term/Expiry Date
Pudong New District, Shanghai, China	Facilities and office	4,499 (the parcel of land), 8,927.16 (the GFA)	Owned	March 2042
Xinwu District, Wuxi, Jiangsu Province, China	Facilities and office	26,392 (the parcel of land), 48,067.66 (the GFA)	Owned	April 2051
Pudong New District, Shanghai, China	Office	845.11 (the GFA)	Leased	January 2026

Location	Type of Property	Area (sq.m.)	Ownership	Term/Expiry Date
Xinbei District, Changzhou, Jiangsu Province, China	Facilities and office	819.52 (the GFA)	Leased	December 2023
Xinwu District, Wuxi, Jiangsu Province, China	Dormitory	572 (the GFA)	Leased	June 2024
Xinwu District, Wuxi, Jiangsu Province, China	Facilities and office	7,903.74 (the GFA)	Leased	December 2027
Xinwu District, Wuxi, Jiangsu Province, China[(1)]	Dormitory	18,172.07 (the GFA)	Leased	December 2024

(1) Such property is currently not in use.

As of the Latest Practicable Date, none of the properties held by us had a carrying amount of 15% or more of our consolidated total assets. Therefore, according to Chapter 5 of the Listing Rules and section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Cap. 32L of the Laws of Hong Kong), this document is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which require a valuation report with respect to all our Group's interests in land or buildings.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE MATTERS

We view environmental, social and governance ("**ESG**") responsibilities as an integral component of our ethos and business strategy. We acknowledge our responsibilities on environmental protection, social responsibilities and are aware of the climate-related issues that may have impact on our business. We are committed to complying with ESG reporting requirements upon [**REDACTED**].

Our operations and facilities are subject to extensive environmental protection and health and safety laws and regulations. These laws and regulations govern, among other things, the generation, storage, handling, use and transportation of hazardous materials and the handling and disposal of hazardous and biohazardous waste generated at our facilities. See "Regulatory Overview" for more details. We believe it is critical for us to function in a socially responsible manner to protect the environment and ensure workplace safety, and we are committed to taking all necessary measures and efforts to that end.

During the Track Record Period and up to the Latest Practicable Date, we complied with the relevant environmental and occupational health and safety laws and regulations in all material aspects. We do not expect our costs of complying with current and future environmental protection and health and safety laws to increase significantly going forwards. However, because the requirements imposed by these laws and regulations may change, we may be unable to accurately predict the cost of complying with these laws and regulations. See "Risk Factors — Risks Relating to Our Business and Industry — We are subject to environmental protection and health and safety laws and regulations and may be exposed to potential costs for compliance and liabilities, including consequences of accidental contamination, chemical or biological hazards or personal injury" for more information. We were not subject to any administrative penalties relating to environmental, health or safety compliance that would have a material adverse effect on our financial position or results of operations as a whole.

Governance

We regard ESG governance as the cornerstone of corporate sustainable development. Our Board is our highest decision-making and governing body regarding ESG issues. It has the overall responsibility for overseeing and determining the ESG-related risks and opportunities, as well as the collective responsibilities through boardroom deliberations for establishing and adopting the ESG policies, strategies and targets to manage material ESG risks, reviewing our performance against those targets, and revising the ESG strategies as appropriate if significant variance from the target is identified. To facilitate our Board to oversee and manage material risks of ESG matters, our Board has established an ESG committee that currently comprises four members, including Dr. Jincai Li, our chief executive officer and executive Director, Mr. Jerry Jingwei Zhang, our chief operating officer and executive Director, Dr. Weichang Zhou and Ms. Ming Shi, our non-executive Directors. Both Dr. Jincai Li and Mr. Jerry Jingwei Zhang have accumulated hands-on experience in managing business operations and productions through serving their prior roles with the WXB Group, and have in-depth exposure to and knowledge in ESG matters. The ESG committee serves as a supportive role to our Board to (i) formulate and review the Company's responsibilities, vision, strategy, framework, principles, policies and (ii) monitor the implementation of the ESG policies passed by the Board to oversee and guide our Company's ESG initiatives and to make recommendations to the Board. The ESG committee is tasked to prepare written materials or oral presentations to report its observations and proposals to our Board periodically, to keep our Board informed on the ESG matters to formulate appropriate ESG-related mechanisms and policies.

Our ESG guidance team, which consists of certain management team members of our Group and key personnel of operation sites, and ESG department are generally responsible for executing the ESG policies, evaluating ESG performance, regularly communicating with stakeholders about the material ESG issues and providing insights, advice, direction and solutions for ESG decision-making. Our ESG guidance team provides strategic insight to achieve a close correlation of our ESG targets and business operations and ensures resource support for ESG work. Our ESG department reports to our chief operating officer and is responsible for providing professional advice and ESG performance evaluation, communicating with relevant responsible parties and facilitating the implementation of our ESG strategies, objectives and initiatives to improve the overall ESG performance of our Group. We also encourage our employees in our functional departments to jointly promote the implementation of our ESG policies and objectives, as well as keep innovating and refining operational excellence to improve ESG performance.

ESG Policies

We have established a set of ESG policies in accordance with the Listing Rules, under which we endeavor to reduce negative impacts on the environment through our commitment to energy saving and sustainable development. Our ESG policies outline, among others, (i) the appropriate risk governance on ESG matters, including climate-related risks and opportunities, (ii) ESG strategy formulation procedures, (iii) the identification of key performance indicators, including reduction of greenhouse gas emissions and (iv) waste treatment and conservation of energy, among other aspects. We continue to promote a positive workplace for all of our employees, including embracing diversity and equal and respectful treatment of all of our employees. For social matters, we have adopted policies and frameworks related to (i) workplace safety, (ii) quality management, (iii) employee compensation and benefits, (iv) employee training, wellness and professional and personal development and (v) employee complaint handling, among other aspects.

Potential Impacts and Mitigation of ESG-related Risks

We are subject to various ESG-related laws and regulations in China. During the Track Record Period and up to the Latest Practicable Date, we did not receive any fines or penalties associated with the breach of any environmental laws or regulations. To the best knowledge and belief of our Directors, we are not subject to material environmental liability risk and will not incur material compliance costs in the future.

In view of the nature of our business, to the best knowledge of our directors, climate change will not have any major impact on our business operation. However, in recent years, disasters due to extreme weather conditions caused by climate change could cause significant damage to our facilities, resulting in temporary or long-term closures of our facilities and operations and significant expenses for the repair or replacement of damaged facilities. We may also experience indirect impacts from disruptions in the supply chain. Uncontained global warming may elevate temperature, which could force us to increase electricity consumption and thus operating expenditures.

In the medium to long term, there may be an increasing number of legislations and regulations in response to the potential impacts of climate change. Such a shift in the regulatory environment may affect our operations directly or indirectly because of required compliance by our business partners, and may subject us to additional costs and restrictions, including increased energy and raw material costs, and pollutant or hazardous waste treatment costs. These additional burdens could negatively affect our financial condition and results of operations.

We will continue to identify, assess, manage and mitigate the ESG-related risks. Our approach includes but is not limited to:

- monitoring relevant laws, regulations and industry standards to regularly assess our compliance with applicable regulatory rules;
- reviewing and assessing the ESG reports of similar companies in the industry to ensure that all relevant ESG-related risks are identified on a timely basis;
- discussing among management from time to time to ensure all the material ESG issues are recognized and reported;

- discussing with key stakeholders on key ESG principles and practices to ensure that the significant aspects are covered;

- organizing a specific ESG risk management process to identify and manage ESG-related risks and opportunities as an integrated part of overall business risks and opportunities;

- setting appropriate targets, including with regard to emission, pollution and other impact on the environment aimed at reducing emissions and natural resource consumption;

- building up sophisticated business continuity management system to handle various kinds of ESG-related risks and assure our business continuity to the most extent.

We will conduct an enterprise risk assessment at least once a year to cover the current and potential risks faced by our Group, including, but not limited to, the risks arising from the ESG aspects and strategic risk around disruptive forces such as climate change. Our Board will assess or, when needed, engage an external expert to evaluate the risks and review our Group's existing strategy, target and internal controls, and necessary improvements will be implemented to mitigate the risks. Our Board, audit committee and the ESG committee will maintain oversight of our approach to risk management, including climate-related risks and risks monitored as part of the standard operating processes to ensure the appropriate mitigations are in place of the regular management reviews. We will work toward integrating ESG in the risk management mechanism to further strengthen the monitoring and mitigating ESG-related risks across our Group.

The decision to mitigate, transfer, accept or control risk is influenced by various factors, such as government regulation and public perception. We will incorporate climate-related issues, including physical and transition risk analysis, into our risk assessment processes and risk appetite setting. If the risk and opportunities are considered material, we will refer to them in the course of the strategy and financial planning process. Upon annual review of the ESG-related risks and our Group's performance in addressing the risks, we may revise and adjust the ESG strategies as appropriate.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material impact on our business operations, strategies or financial performance as a result of the ESG-related issues.

Metrics and Targets

As required by the applicable PRC laws and regulations, our operations sites are required to pass the environmental impact assessment. Our own Shanghai and Wuxi operation sites passed such assessment in October 2022 and September 2019, respectively. To the extent possible, our facilities use next-generation technologies and clean energy sources, which we believe would improve resource conservation and reduce the level of waste produced by our operations. For example, we have utilized magnetic levitation chillers and upgraded the inner coating of old water pumps to improve efficiency and electricity-saving, and we have collected and recycled steam condensate to reuse water and reduce steam consumption and greenhouse gas emission. We have also leveraged the positive temperature coefficient (PTC) heating element to control humidity and save energy for our large refrigerated warehouse, as well as operated the clean air conditioning for our clean room under a dual airflow mode that responds to our activities in the clean room for energy-saving. We have monitored and recorded the following metrics since 2021 to assess and manage the environmental and climate-related risks arising from our operations.

Resource Consumption

Electricity consumption. We have monitored our electricity consumption levels and implemented measures to improve energy efficiency. For the years ended December 31, 2021 and 2022 and the six months ended June 30, 2023, our electricity consumption levels were approximately 7.0 million kWh, 11.4 million kWh and 8.0 million kWh, respectively.

Water consumption. We have monitored our water consumption levels and implement measures to promote water conservation. For the years ended December 31, 2021 and 2022 and the six months ended June 30, 2023, our water consumption levels were 76,556 m^3, 88,736 m^3 and 97,633 m^3, respectively.

Waste Management

Greenhouse gas and other waste gas. We have monitored our greenhouse gas discharge levels on an annual basis. For the years ended December 31, 2021 and 2022, our greenhouse gas emissions were approximately 8,041 tons and 13,056 tons of CO_2 equivalent, respectively. For other waste gas, we have built activated charcoal filters to ensure the waste gas is safe for emission.

Wastewater. For wastewater generated during our operations, we perform coagulation and sterilization and then send the processed wastewater to a third party for further processing. We have also formulated a set of criteria with respect to the wastewater, including its PH value shall be within the range of 6 to 9 and its chemical oxygen demand value shall not exceed 500 mg/L.

Solid hazardous waste. We store solid hazardous waste in special waste bags, which are then placed in a special area at our operation sites. We contract with qualified third parties to dispose such hazardous materials in a safe and environmentally friendly manner. For the years ended December 31, 2021 and 2022 and the six months ended June 30, 2023, our solid hazardous waste discharge levels were approximately 10.7 tons, 27.3 tons and 70.4 tons, respectively. The increase of the discharge level in the first half of 2023 was primarily due to the increased discharge of solid waste generated by the construction of our new facilities at the Wuxi site. In addition, we generated more solid hazardous waste in line with the growth of our research, development and manufacturing activities. To the extent feasible, we plan to further improve our operational efficiency to reduce the amount of solid waste generated from our operations, and we will continue to work with qualified third-party waste collectors to appropriately dispose our solid waste and achieve a reduced environmental impact.

Our Board will set targets at the beginning of each financial year in accordance with the disclosure requirements of Appendix 27 to the Listing Rules and other relevant rules and regulations upon [**REDACTED**]. The relevant targets will be reviewed on an annual basis to ensure that they remain appropriate to the needs of our Group. In setting the ESG-related targets, we will take into account not only our historical consumption or discharge levels, but also our future business expansion, the overall goals of the WXB Group and available information from industry peers in a thorough and prudent manner with a view of balancing business growth and environmental protection to achieve sustainable development. We aim to reduce our Scope 1 and Scope 2 greenhouse gas emissions intensity by 50% (tons/RMB10,000) by 2030 from a 2021 base year. For the near term, we aim to curb the increment of our resource consumption and waste generation in spite of the growing size of our business operations. We will adjust the targets and goals in accordance with our actual business operations, and we will closely monitor the financial and non-financial impact on our business for actions taken to achieve these goals and targets. We believe that the implementation of this plan is facilitated by the design of our sites, which utilize

natural temperature and light for tailored heating, ventilation, air conditioning and lighting. We also ensure equipment meets our energy efficiency requirements. In addition, we have adopted and will continue to adopt various measures, including but not limited to:

- encouraging all staff to reduce the production of paper waste, reduce consumption of water resources and electrical appliances by posting water-saving or power-saving signs in eye-catching areas to cultivate our employees' awareness of environment protection;
- encouraging our employees to avoid printing hard copies and requiring double-sided printing whenever possible;
- requiring employees to turn off lights, equipment and other electronic devices when the devices are not in operation and before they leave the premises;
- using more energy-efficient lighting products, such as LED lighting;
- ensuring air-conditioning is used only when necessary, and at the appropriate temperature;
- regularly conducting inspections of our laboratory equipment to check for abnormal conditions, and making prompt report to avoid potential damages;
- encouraging teleconferences as opposed to physical meetings to reduce travel;
- offering shuttle services with electric vehicles to reduce staff's dependence on private cars;
- providing electric vehicle charging stations for employees.

Workplace Safety

We strive to provide a safe working environment for our employees. To that end, we have adopted and maintained a series of rules, standard operating procedures and measures. For example, we implemented safety guidelines that set out information about potential safety hazards and procedures for handling potent active pharmaceutical ingredients ("**APIs**") and operating our equipment and facilities. We also conduct regular safety inspections and maintenance for our manufacturing facilities. With video surveillance systems installed inside our facilities, we are able to monitor the operations and compliance with our safety guidelines in real time.

Our operation sites are designed with appropriate safety features to protect our employees who need to handle hazardous materials, some of which may be OEB5-rated chemicals. In particular, we specifically design isolated areas for handling APIs, and we have a positively pressurized buffer gowning room at the entry of the isolated areas to protect employees from potential air-borne spread of APIs, mist shower at the exit to remove any residual chemicals, and isolators to prevent human contact or inhalation of hazardous materials. Employees who need to handle APIs must comply with operating procedures in those areas and wear required personal protective equipment.

Our employees responsible for manufacturing and quality control and assurance are required to receive the necessary training and hold relevant qualifications, as well as wear the proper safety equipment during work. We require new employees to participate in safety training and familiarize themselves with the relevant safety rules and procedures. We also invite experts on fire control safety to conduct training sessions and regularly perform emergency evacuation drills to prepare our employees for potential fire accidents.

We did not have any material workplace accidents during the Track Record Period and up to the Latest Practicable Date.

CERTIFICATES, PERMITS AND LICENSES

During the Track Record Period and as of the Latest Practicable Date, we had obtained all requisite certificates, permits and licenses that are material for our operations in China, and all of such certificates, permits and licenses are within their respective effective periods.

The following table sets forth a summary of the key licenses, permits and certificates that we obtained:

Holder	Certificates/ Permits/Licenses	Certificate/ Permit/ License Number	Issuing Authority	Issue Date	Expiry Date[1]
XDC Wuxi.	Drug Manufacturing License (藥品生產許可證)	Su 20200604 (蘇20200604)	Jiangsu Medical Products Administration (江蘇省藥品監督管理局)	January 5, 2023	December 15, 2025
XDC Wuxi.	Registration Certificate of Biosafety Laboratories (生物安全實驗室備案證書)	LX2023001	Wuxi Health Commission (無錫市衛生健康委員會)	February 14, 2023	N/A
XDC Wuxi.	Registration Certificate of Biosafety Laboratories (生物安全實驗室備案證書)	XW2023002	Wuxi Health Commission (無錫市衛生健康委員會)	February 14, 2023	N/A
XDC Wuxi.	Filing Receipts for Purchasing the Precursor Chemicals in Category II and III (第二類、第三類易製毒化學品購買備案證明)	G32231350140044	Anti-Drug Brigade of Xinwu Branch of Wuxi Public Security Bureau (無錫市公安局新吳分局禁毒大隊)	September 26, 2023	December 25, 2023

Holder	Certificates/ Permits/Licenses	Certificate/ Permit/ License Number	Issuing Authority	Issue Date	Expiry Date[1]
XDC Wuxi.	Filing Receipts for Purchasing the Precursor Chemicals in Category II and III (第二類、第三類易製毒化學品購買備案證明)	G32231456913472	Anti-Drug Brigade of Xinwu Branch of Wuxi Public Security Bureau (無錫市公安局新吳分局禁毒大隊)	October 19, 2023	January 18, 2024
XDC Wuxi.	Customs Filing Receipt of Consignees and Consigners of Imported and Exported Goods (海關進出口貨物收發貨人備案回執)	32023409AJ	Wuxi Customs (無錫海關)	July 20, 2021	N/A
XDC Shanghai	Customs Filing Receipt of Consignees and Consigners of Imported and Exported Goods (海關進出口貨物收發貨人備案回執)	31224689BB	Shanghai Waigaoqiao Customs (上海海關外高橋關)	September 23, 2021	N/A
XDC Changzhou . . .	Customs Filing Receipt of Consignees and Consigners of Imported and Exported Goods (海關進出口貨物收發貨人備案回執)	3204965ABG	Changzhou Customs (常州海關)	August 30, 2021	N/A

(1) "N/A" represents licenses that do not have an expiration date and will remain valid unless revoked.

We had not experienced any material difficulty in renewing such certificates, permits and licenses during the Track Record Period and up to the Latest Practicable Date, and we currently do not expect to have any material difficulty in renewing them when they expire, if applicable.

LEGAL AND COMPLIANCE MATTERS

Legal Proceedings

We may from time to time be involved in contractual disputes or legal proceedings arising out of the ordinary course of our business. During the Track Record Period and up to the Latest Practicable Date, we were not subject to any claims, damages or losses which would have a material adverse effect on our financial position or results of operations as whole. As of the Latest Practicable Date, no material litigation, arbitration or administrative proceedings had been threatened against us.

Legal and Regulatory Compliance

We are committed to complying with the laws and regulations applicable to our business. During the Track Record Period and up to the Latest Practicable Date, we did not have non-compliance incidents which our Directors believe would, individually or in the aggregate, have a material operational or financial impact on our Group as a whole.

Social Insurance and Housing Provident Funds

During the Track Record Period, we had (by ourselves and through a third-party human resource agency) made full contributions to social insurance and housing provident funds for our employees. As of the Latest Practicable Date, the said third-party agency made full contributions to social insurance and housing provident funds for two employees of XDC Wuxi and one employee of XDC Changzhou. The reason for engaging the third-party agency is that these three employees requested us to contribute their social insurance and housing provident fund in their respective places of residence, which are not the place where XDC Changzhou or XDC Wuxi is located.

As advised by our PRC Legal Advisor, as of the Latest Practicable Date, the practice had not been explicitly prohibited by applicable PRC laws and regulations, however, there remain uncertainties over the interpretation and implementation of labor-related laws and regulations, and such arrangement may not at all times be deemed to be in full compliance with relevant laws and regulations, which may subject us to labor disputes or government investigations.

For detailed legal risks related to this, please refer to the paragraph headed "Risk Factors – We are required to make adequate contributions to social insurance and housing provident fund for our employees under the PRC regulations."

Title Defects of Lease Properties

As of the Latest Practicable Date, three of our leased properties had title defects that may affect our ability to continue to use them in the future. The existence of title defects is mainly due to the following reasons: (1) the lessors of two leased properties are different from the real estate owners of such leased properties, and (2) the intended purpose contained in the property ownership certificates of one property is inconsistent with the actual use of the property, namely, we use the property on the industrial land, as indicated in the property ownership certificate, for office.

As advised by our PRC Legal Advisor, in respect of the inconsistent use of one of our leased properties with the intended purpose contained in the property ownership certificate, we may face challenges from the government authorities regarding our right to continue use the premises. However, during the Track Record Period and as of the Latest Practicable Date, we are not aware of any claim made by the government authority that might affect our current occupation of such leased property. Nonetheless, even if we are required to vacate from the property, we would be able to relocate the leased property in a timely manner without incurring significant costs, given that (1) there are alternative properties at comparable rental rates on the market, and (2) most of our equipment at such leased properties is easy to move, and such relocation will not have a material adverse impact on our business and operations. For detailed legal risks related to this, please refer to the paragraph headed "Risk Factors – Failure to comply with PRC property laws and relevant regulations may affect our business, results of operations and financial condition."

Furthermore, we have enhanced our internal control to avoid such risks by the following measures:

- we have assigned designated personnel to follow up with the relevant parties to retrieve the ownership certificates or other ownership documents of the existing properties with title defects as soon as possible;

- we have formulated internal policies on the lease management, which explicitly requires that the actual use of properties should be consistent with the intended purpose contained in the property ownership certificate, which is also a prerequisite for entering into new lease agreements; and

- we will conduct our due diligence and reviews more prudently when we lease additional premises, particularly on the nature, designated use and title certificates for such properties.

As far as the enhanced internal control measures are concerned, the internal control consultant has conducted a follow-up review on the design of the Company's internal control mechanism, and no material deficiencies have been identified.

RISK MANAGEMENT AND INTERNAL CONTROL

Risk Management

Risk management is critical to the success of our business operation. Key operational risks that we face include changes in the general market conditions and the regulatory environment relating to the global bioconjugate outsourcing services market, our ability to offer quality bioconjugate CRDMO services, our ability to manage anticipated growth and to execute on our growth strategies, and our ability to compete with other bioconjugate outsourcing services providers. See "Risk Factors" in this document for a discussion of various risks and uncertainties we face. We also face various market risks. In particular, we are exposed to currency, credit and liquidity risks that arise in the normal course of our business. For more details, see "Financial Information — Quantitative and Qualitative Disclosures about Market Risks."

In response to these challenges, we have developed a risk management framework as summarized below:

- Our audit committee, chaired by Mr. Hao Zhou, oversees and manages the overall risks associated with our business operations from time to time. Our audit committee is mainly responsible for reviewing and overseeing financial reporting procedure, risk management system and internal control system of our Group.

- The senior management team is responsible for (i) formulating and updating our risk management policy and objectives; (ii) conducting risk assessment, including the identification, prioritization, measurement and categorization of all major risks that may have potential impacts on our operations; (iii) making action plans to mitigate potential risks; and (iv) reporting material risks to our audit committee.

- Our internal audit department and other relevant functional teams are responsible for implementing our risk management policy and our day-to-day risk management practices. They are responsible for (i) gathering information about the risks related to our operations; (ii) preparing annual reports on risk management and auditing for the review of our chief operating officer and our audit committee; (iii) proposing and implementing appropriate measures in response to our risk exposure where necessary; and (iv) continuously monitoring major risks related to our operations.

- We also adopted internal policies against bribery and corruption. The policies strictly prohibit any employee or other personnel acting on our behalf from making, proposing or promising improper payments, directly or indirectly, in any form of cash, physical assets, loans, gifts, luxury trips, entertainment, donations, other valuables or benefits to anyone, including government officials, customers or suppliers, for the purposes of acquiring or securing any business or improper advantage, regardless of whether we benefit from such improper payments. Our employees and other personnel acting on our behalf are not allowed to accept or solicit any such improper payments as well. The anti-bribery and anti-corruption policies also prohibit other misconducts, such as misappropriation and embezzlement, fraud or other illegal activities. Employees who violate our anti-bribery and anti-corruption policies are subject to penalties, including termination of employment. During the Track Record Period and up to the Latest Practicable Date, we had complied with relevant anti-corruption and anti-bribery laws in all material aspects. We have engaged an internal control consultant to perform a general internal control review in connection with the [**REDACTED**] and the scope covered anti-bribery and anti-corruption policies and measures (excluding anti-bribery and anti-corruption investigation). As of the Latest Practicable Date, there was no material issue about our internal control policies and measures identified by the internal control consultant in relation to anti-corruption and anti-bribery compliance. Based on the internal control review report prepared by our internal control consultant, we believe that our internal control policies and measures in relation to anti-corruption and anti-bribery compliance are adequate and effective.

Internal Controls

We have engaged an internal control consultant to perform certain agreed-upon procedures in connection with the internal control of our Company and our major operating subsidiaries and to report factual findings on our Group's entity-level controls and internal controls of various processes, including financial reporting and disclosure controls, sales, accounts receivable and collection, procurement, accounts payable and payment, fixed assets and assets under construction, human resources and payroll management, cash and treasury management, inventory management, general controls of IT system, taxation management, production and costing, insurance management, research and development and intangible assets. The internal control consultant performed procedures in April 2023 and put forward suggestions for improvement. We have accepted these suggestions and further strengthened the design of our internal control process. After our rectification, the internal control consultant performed follow-up procedures in June 2023, and no material issue remained in relation to the internal controls of our Group.

We have adopted a series of internal control policies, measures and procedures designed to provide reasonable assurance for achieving objectives, including effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations. During the Track Record Period, we regularly reviewed and enhanced our internal control system. Below is a summary of the internal control policies, measures and procedures we have implemented or plan to implement.

- We have formed a compliance office led by Jerry Jingwei Zhang, who has extensive experience in internal control and risk management in the pharmaceutical industry. Our compliance office oversees the overall internal control, corporate governance and legal compliance matters of our Group. Our compliance office is responsible for formulating and revising internal control policies, measures and procedures to ensure that we maintain sound and effective internal controls and compliance with applicable laws and regulations. It also monitors the implementation of our internal control policies, measures and procedures, and conducts regular compliance audits.

- We have adopted various measures and procedures regarding each aspect of our business operation, such as project management, quality assurance, protection of intellectual property, environmental protection and occupational health and safety. For more information, see "— Project Management," "— Quality Management," "— Intellectual Property" and "— Environmental, Social and Governance Matters." We provide periodic training about these measures and procedures to our employees as part of our employee training programs. We also constantly monitor the implementation of those measures and procedures.

- We have adopted comprehensive internal control measures for anti-corruption and anti-bribery by (i) providing regular anti-corruption and anti-bribery compliance training for senior management and employees, including daily compliance team meeting, annual compliance training and other ad hoc compliance training sessions, to enhance their knowledge and compliance with applicable law and regulations; (ii) monitoring books, records and accounts with respect to supplier management, tendering and bidding process management and financial payment management to identify any false, misleading or undisclosed entries; (iii) establishing whistle-blowing mechanisms and encouraging all employees, suppliers, customers and other third parties to report suspicious activities and violations of the policies.

- Our compliance office has established a system for handling complaints against our Directors, senior management, employees, customers and other business partners, as well as a mechanism for making independent and fair investigations on reported complaints and taking appropriate actions. The compliance office has also set up an online platform through which our employees can report their complaints and concerns. In addition, the compliance office evaluates the effectiveness of and potential loopholes in our internal control system based on complaints received to improve our internal control policies, measures and procedures accordingly. During the Track Record Period and up to the Latest Practicable Date, our compliance office did not receive any material complaints or concerns.

- We have engaged Somerley Capital Limited as our compliance advisor to provide advice to our Directors and management team until the end of the first fiscal year after the [**REDACTED**] regarding matters relating to the Listing Rules. Our compliance advisor is expected to ensure our use of funding complies with the section headed "Future Plans and [**REDACTED**]" in this document after the [**REDACTED**], as well as to provide support and advice regarding requirements of relevant regulatory authorities in a timely fashion.

- We plan to engage a PRC law firm to advise us on and keep us abreast with PRC laws and regulations after the [**REDACTED**]. We will continue to arrange various trainings to be provided by external legal advisors from time to time when necessary and/or any appropriate accredited institution to update our Directors, senior management and relevant employees on the latest PRC laws and regulations.

- We do not access or process any patient data in the course of providing services to customers in China, and do not assume the patient data and privacy obligation for our operations in China. We have no plan to access or process any patient data in our course of providing services to customers in Singapore, and undertake to comply with any patient data and privacy laws and regulations in Singapore, whenever applicable.

For information about our corporate governance measures to manage the conflict of interest and potential competition from our Controlling Shareholders and safeguard the interest of the Shareholders, see "Relationship with Our Controlling Shareholders."

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**].

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.

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:

			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,		
Nature of Transaction	Applicable Listing Rules	Waiver Sought	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

Continuing Connected Transactions with WXAT Group:

			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,		
Nature of Transaction	Applicable Listing Rules	Waiver Sought	2020	2021	2022	2023	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.

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 decease 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.

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**].

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.

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.

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.

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.

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 continues 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:

Expected year of completion	No. of integrated projects of which the legacy contracts have been fully completed[1]	Estimated backlog in respect of the legacy contracts that have been fully completed (RMB in million)[2][3]
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.

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.

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.

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.

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

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 decease 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.

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.

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.

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.

BOARD OF DIRECTORS

Our Board will consist of nine Directors upon [**REDACTED**], of whom three are executive Directors, three are non-executive Directors and three are independent non-executive Directors. Our Board is responsible and has general powers for the management and conduct of our business.

The table below sets out certain information in respect of the members of the Board:

Name	Age	Position	Time of joining our Group or the Remaining WXB Group[3]	Time of appointment as Director	Roles and Responsibilities
Dr. Jincai Li[1] (李錦才)	50	Executive Director and chief executive officer	September 2011	December 2020	Formulating overall strategic plans, business development and daily operations of our Group
Mr. Jerry Jingwei Zhang (張靖偉)	55	Executive Director and chief operating officer	April 2019	June 2023	Managing the supply chain and operations of our Group
Mr. Xiaojie Xi (席曉捷)	47	Executive Director, chief financial officer and company secretary	May 2023	June 2023	Overseeing the overall financial management, financial matters and strategic development of our Group
Dr. Zhisheng Chen[1] (陳智勝)	50	Chairman and non-executive Director	June 2011	December 2020	Providing overall guidance on the business, strategy and corporate development of our Group
Dr. Weichang Zhou[1] (周偉昌)	59	Non-executive Director	December 2012	December 2020	Providing guidance on corporate strategy and governance to our Group
Ms. Ming Shi[1][2] (施明)	48	Non-executive Director	June 2023	June 2023	Providing guidance on corporate strategy and governance to our Group
Dr. Ulf Grawunder	58	Independent non-executive Director	[**REDACTED**]	[**REDACTED**]	Supervising and providing independent judgment to our Board

Name	Age	Position	Time of joining our Group or the Remaining WXB Group[3]	Time of appointment as Director	Roles and Responsibilities
Mr. Stewart John Hen.	56	Independent non-executive Director	[**REDACTED**]	[**REDACTED**]	Supervising and providing independent judgment to our Board
Mr. Hao Zhou	47	Independent non-executive Director	[**REDACTED**]	[**REDACTED**]	Supervising and providing independent judgment to our Board

(1) At the incorporation of our Company, WuXi Biologics appointed Dr. Zhisheng Chen, Dr. Weichang Zhou and Dr. Jincai Li as Directors, and STA Pharmaceutical appointed Dr. Ge Li and Mr. Minzhang Chen as Directors. On May 31, 2021, Dr. Ge Li was replaced by Mr. Steve Qing Yang due to internal personnel reallocation, as the representative of STA Pharmaceutical at the Board.

(2) On June 30, 2023, Dr. Minzhang Chen and Dr. Steve Qing Yang, our former Directors and the representatives of STA Pharmaceutical, resigned and were replaced by Ms. Ming Shi due to internal personnel reallocation, as the representative of STA Pharmaceutical at the Board.

(3) Denotes the time from which the relevant Director first became involved in matters relating to the business of our Group while under the employment of the Remaining WXB Group or our Group (where applicable).

Executive Directors

Dr. Jincai Li (李錦才), aged 50, has been a Director since the incorporation of our Company in December 2020, and re-designated as an executive Director and appointed as the chief executive officer of our Company since June 2023. He is primarily responsible for formulating overall strategic plans, business development and daily operations of our Group. Dr. Li has over 20 years of experience in biologics process development, scale-up and cGMP manufacturing. Under his leadership, our Group became a leading ADC and bioconjugates CRDMO, which was recognized by the 2022 World ADC Awards' Runner Up prize in the "Best CMO Provider" category.

Dr. Li joined the WXB Group in September 2011 and since May 2020 had served as the senior vice president at the WXB Group. Throughout 2021 and 2022, Dr. Li spearheaded the integration of the ADC capabilities into our Group and accumulatively his team had completed more than 40 ADCs/bioconjugates IND filings in China, US and Europe. From September 2011, Dr. Li built and led the cell culture process development and non-GMP pilot plant production group of the WXB Group, and went on to manage the MFG1, MFG3 cGMP facilities, as well as the start-up of the MFG5 cGMP facility. During his tenure with MFG1, Dr. Li led the efforts to successfully pass our first FDA and EMA pre-license inspections and achieved the first FDA biologics BLA approval in China. Before Dr. Li joined the WXB Group, from August 2007 to September 2011, Dr. Li had also served as a group leader at Genentech, Inc. where he was responsible for cell culture process development. From April 2006 to July 2007, Dr. Li had also been a scientist at Tanox, Inc., and from August 2001 to March 2006, Dr. Li was a staff scientist at Diversa Corporation (now BASF) where he was in charge of process development for multiple biologics projects.

Dr. Li obtained a bachelor's degree in chemical engineering and technology and minor in chemistry from Tsinghua University (清華大學) in China in July 1996 and obtained a doctoral degree majoring in chemical and biochemical engineering from University of Maryland Baltimore County in the United States in August 2001.

Dr. Li does not have any current or past directorships in listed companies in the last three years.

Mr. Jerry Jingwei Zhang (張靖偉), aged 55, has been an executive Director and the chief operating officer of our Company since April 2023. He is primarily responsible for managing the supply chain and operations of our Group. Mr. Zhang has over 25 years of experience in the biotech industry.

Mr. Zhang served as a senior vice president of global strategic operations of the WXB Group and was responsible for supply chain planning, global procurement, warehouse management and environment, health and safety from April 2019 to March 2023, while he was also involved in the supply chain operations of our business. Before that, Mr. Zhang worked as an operations finance controller for the global operations and supply chain department of Axalta Coating Systems Ltd. in the United States from April 2016 to April 2019 and served as a finance director for the corporate financial shared services of TE Connectivity Ltd. in the United States from March 2010 to April 2016. From December 1999 to February 2010, Mr. Zhang served at Pfizer Inc. in the United States as the finance director for supporting sales, global manufacturing, logistics, procurement and supply chain operation.

Mr. Zhang obtained his bachelor's degree in biomedical science from Nankai University (南開大學) in China in July 1990 and received his master's degree in business administration from New York University, Stern School of Business in the United States in May 2002.

Mr. Zhang does not have any current or past directorships in listed companies in the last three years.

Mr. Xiaojie Xi (席曉捷), aged 47, has been an executive Director since June 2023 and the chief financial officer of our Company since May 2023. Mr. Xi is primarily responsible for overseeing the overall financial management, financial matters and strategic development of our Group. He brings over 18 years of financial industry experience in the United States and China to our Company, including investment banking and private equity investment with many public and private companies.

Prior to joining our Group, from November 2018 to May 2023, Mr. Xi served as the chief financial officer and simultaneously from April 2020 to May 2023, a joint company secretary of Akeso, Inc., a company listed on the Stock Exchange (stock code: 09926), where during his tenure he was recognised as a "Best CFO" by Institutional Investor magazine. Before that, from August 2017 to October 2018, he was a director at SIN Capital (HK) Limited, focusing on investments in healthcare industry in China, and from April 2015 to July 2017, he served as a director head of corporate finance and capital markets at CLSA Limited. Between October 2013 and April 2015, Mr. Xi was the vice president of investment banking and strategic advisory department at Credit Suisse AG Hong Kong branch. From March 2010 to April 2013, Mr. Xi served as the vice president of investment banking division at Morgan Stanley Asia Limited. During his time with the aforementioned investment banks, Mr. Xi had executed high profile transactions, including IPOs, debt and equity financings and M&As for leading companies in China.

Mr. Xi obtained his bachelor's degree in biochemistry from Wuhan University (武漢大學) in China in 1997 and obtained his master's degree in science from Rutgers, The State University of New Jersey in the United States in 2002. He further obtained his MBA degree with distinction from New York University, Stern School of Business in the United States in 2008.

Mr. Xi does not have any current or past directorships in listed companies in the last three years.

Non-executive Directors

Dr. Zhisheng Chen (陳智勝), aged 50, has been a Director since the incorporation of our Company in December 2020 and was re-designated as a non-executive Director since June 2023. He was appointed as the chairman of the Board in May 2021. Dr. Chen is primarily responsible for providing overall guidance on the business, strategy and corporate development of our Group. Dr. Chen has over 20 years of experience in the biotech industry.

Dr. Chen has joined the WXB Group since June 2011 and served in several roles including, but not limited to, as WuXi Biologics' executive director from February 2014 and chief executive officer from January 2016. From June 2011 to January 2016, Dr. Chen also served as a senior vice president of WuXi Biologics Co. Ltd. (previously known as WuXi AppTec Biotechnology Co., Ltd. (無錫藥明康德生物技術有限公司)) where he was responsible for the management of biologics development and manufacturing. Before that, Dr. Chen also worked in a number of pharmaceutical companies, including (i) as the chief operating officer of Shanghai Celgen Bio-Pharmaceutical Co., Ltd. (上海賽金生物醫藥有限公司) from August 2008 to June 2011 where he was responsible for the development, manufacturing and quality control of biologics, (ii) as a director of production at Applied Molecular Evolution, Inc., a subsidiary of Eli Lilly and Company, a global pharmaceutical company listed on NYSE (stock code: LLY) from November 2005 to August 2008 and (iii) as a process engineer and manager of Merck & Co. Inc., a pharmaceutical company listed on NYSE (stock code: MRK) from June 2000 to November 2005.

Dr. Chen obtained a bachelor's degree in chemical engineering and technology from Tsinghua University (清華大學) in China in July 1994 and a doctoral degree in chemical engineering from University of Delaware in the United States in August 2000. In November 2018, Dr. Chen was appointed by International Society for Pharmaceutical Engineering (ISPE) to serve on the International Board of Directors.

Save as disclosed above, Dr. Chen does not have any current or past directorships in listed companies in the last three years.

Dr. Weichang Zhou (周偉昌), aged 59, has been a Director since December 2020 and was re-designated as a non-executive Director since June 2023. He is primarily responsible for providing guidance on corporate strategy and governance to our Group. Dr. Zhou has around 30 years of experience in the biotech industry.

Dr. Zhou first joined WuXi Biologics Co. Ltd. (previously known as WuXi AppTec Biotechnology Co., Ltd. (無錫藥明康德生物技術有限公司)) in December 2012 as a vice president responsible for the management of biologics development and manufacturing functions. Dr. Zhou served in several roles of WuXi Biologics including, but not limited to, as its executive director from May 2016, chief technology officer from November 2016 and president of global biologics development and operations from October 2022. He is primarily responsible for overseeing the development and manufacturing of biologics. He is also responsible for several global operational functions such as global IT since October 2022.

Prior to that, Dr. Zhou served as a senior director of Genzyme Corporation (now part of Sanofi S.A.) from March 2008 to December 2012, and was responsible for process engineering and development. From October 2002 to February 2008, Dr. Zhou served as a senior director of PDL BioPharma Inc., a biopharmaceutical company listed on NASDAQ (stock code: PDLI), and was responsible for process sciences and engineering functions. From May 1994 to October 2002, Dr. Zhou served as up to an associate director of Merck & Co., Inc. and was responsible for fermentation and cell culture process development.

Dr. Zhou obtained a bachelor's degree in organic chemical engineering from Jiangxi University of Technology (江西工學院) in China in July 1982 and obtained a doctoral degree in natural sciences from the University of Hannover in Germany in 1989.

Save as disclosed above, Dr. Zhou does not have any current or past directorships in listed companies in the last three years.

Ms. Ming Shi (施明), aged 48, has been a non-executive Director since June 2023. She is primarily responsible for providing guidance on corporate strategy and governance to our Group. Ms. Shi has had over 20 years of management experience in the fields of finance, business development and operations.

Prior to joining our Group, Ms. Shi has also been serving as the chief financial officer of WuXi AppTec since January 2022, and was its senior vice president in finance from April 2021 to January 2022. Before that, from September 2005 to April 2021, Ms. Shi successively held several senior management roles at General Electric in various business departments mainly in Greater China area and Asia Pacific area, with her last position as the managing director of BD and chief financial officer at General Electric (China) Co., Ltd. from August 2019 to April 2021. Ms. Shi successively served as the internal control manager and financial controller at Pacific Millennium Paper Group Limited (國際濟豐紙業集團有限公司) from February 2002 to August 2005. Ms. Shi also worked at other multinational corporations earlier in her career, including Ernst & Young Hua Ming LLP, from July 1997 to February 2002.

Ms. Shi obtained her bachelor's degree in international finance from the International Business School of Shanghai University (上海大學國際商學院) in China in July 1997. She has been a member of the Chinese Institute of Certified Public Accountants since September 2016 and a graduate of GE's Executive Financial Leadership Program (EFLP).

Ms. Shi does not have any current or past directorships in listed companies in the last three years.

Independent non-executive Directors

Dr. Ulf Grawunder, age 58, has been appointed as our independent non-executive Director and his appointment will take effect from the [**REDACTED**]. He is primarily responsible for supervising and providing independent judgment to our Board. Dr. Grawunder is an experienced Swiss life-science entrepreneur with over 20 years of experience in the therapeutic antibody development industry.

Dr. Grawunder has been a co-founder, and since September 2022 serves as chief executive officer, of T-CURX GmbH in Germany, a company that focuses on the development of next-generation CAR-T cell therapies for cancer patients. Furthermore, since January 2022, he serves as the managing partner of Viopas Venture Consulting GmbH, Switzerland. Before that, from June 2012 to November 2021, Dr. Grawunder was founder and chief executive officer of NBE-Therapeutics AG in Switzerland, a biotech company developing antibody-drug conjugates (ADCs) for cancer therapy. Dr. Grawunder began his career in biotechnology by co-founding 4-Antibody AG in September 2003, a therapeutic antibody discovery company, where he initially served as start-up chief executive officer and later as the chief scientific officer from August 2006 to June 2012.

Dr. Grawunder is known for his post-doctoral research on the mechanism of V(D)J recombination, the process that generates antibody and T-cell receptor diversity in the immune system. He was the investigator of his research at the University of Basel, Switzerland, and at the University of Ulm, Germany from December 2000 to August 2003 and the scientific collaborator of his research at the Basel Institute for Immunology from October 1998 to December 1999. Prior to that, he was a post-doctoral fellow in the laboratory of Prof. Michael Lieber at the University of Southern California, School of Medicine from 1997 to 1998 and at Washington University School of Medicine from 1995 to 1997.

Dr. Grawunder obtained his bachelor's degree in biochemistry in October 1988 and his master's degree in Biochemistry in July 1991, both from the University of Bayreuth, Germany. He subsequently obtained his doctoral degree in cell biology from the University of Basel in Switzerland in July 1994. In addition, Dr. Grawunder holds a diploma in Technology Entrepreneurship from the University St. Gallen, School of Business in Switzerland.

Dr. Grawunder does not have any current or past directorships in listed companies in the last three years.

Mr. Stewart John Hen, aged 56, has been appointed as our independent non-executive Director and his appointment will take effect from the [**REDACTED**]. He is primarily responsible for supervising and providing independent judgment to our Board. Mr. Hen has over 20 years of deep and extensive experience working in the biopharmaceutical and life sciences industry.

Mr. Hen has been the managing partner of Serrado Capital LLC since October 2010 and primarily invested in publicly traded companies that are of biotech, biopharma, CRO or CRDMO in nature. Prior to that, Mr. Hen was a managing director at Warburg Pincus LLC from May 2000 to August 2010 where he made investments in both private and publicly traded companies that are of biopharma, CRO or CRDMO in nature, and he also served as a consultant at McKinsey & Company from September 1996 to May 2000. His experience in analysing and investing in biotech and big pharmaceutical companies has enabled him to gain technical industry knowledge and will allow him to positively contribute to the matters of our Company.

Mr. Hen obtained his bachelor's degree in chemical engineering from the University of Delaware in the United States in May 1989 and his master's degree in chemical engineering practice from Massachusetts Institute of Technology in the United States in February 1992. He also obtained an MBA from the University of Pennsylvania in the United States in May 1996.

Mr. Hen does not have any current or past directorships in listed companies in the last three years.

Mr. Hao Zhou, aged 47, has been appointed as our independent non-executive Director and his appointment will take effect from the [**REDACTED**]. He is primarily responsible for supervising and providing independent judgment to our Board.

Mr. Zhou served as the chief strategy officer of Anjuke Group Inc. (安居客), the housing subsidiary of 58.com Inc. from November 2020 to March 2023. Prior to that, from June 2011 to November 2020, Mr. Zhou held several roles in 58.com Inc., which is a company that operates online marketplace serving local merchants and consumers in the PRC and listed on NYSE (stock code: WUBA) and served as its chief financial officer from June 2011 to September 2019, and subsequently redesignated as the head of international business in September 2019 and as its chief strategic officer in April 2020. From September

2010 to June 2011, Mr. Zhou joined CITIC Pharmaceutical Co., Ltd. (中信醫藥實業有限公司), a pharmaceutical service provider that supplies medicine and related consumables to hospitals, as its chief financial officer, and from May 2009 to September 2010, Mr. Zhou was the vice president of finance and the chief financial officer at Wuxi PharmaTech (Cayman) Inc. Before that, Mr. Zhou joined General Electric (China) Co., Ltd. (通用電氣(中國)有限公司) in January 2007 as its financial manager.

Mr. Zhou has served as an independent non-executive director of Angelalign Technology Inc. a company listed on the Stock Exchange (stock code: 6699) since April 2023, an independent non-executive director of Bairong Inc., a company listed on the Stock Exchange (stock code: 6608) since March 2021 and an independent non-executive director of Meitu, Inc., a company listed on the Stock Exchange (stock code: 1357) since 2016.

Mr. Zhou obtained his bachelor's degree from the Shanghai International Studies University (上海外國語大學) in the PRC in July 1998.

Save as disclosed above, Mr. Zhou does not have any current or past directorships in listed companies in the last three years.

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management of our business. The table below sets out certain information regarding our senior management.

Name	Age	Position	Date of appointment as Senior Management	Date of joining our Group or the Remaining WXB Group[(1)]	Roles and Responsibilities
Dr. Jincai Li (李錦才)	50	Executive Director and chief executive officer	June 2023	September 2011	Formulating overall strategic plans, business development and daily operations of our Group
Mr. Jerry Jingwei Zhang (張靖偉)	55	Executive Director and chief operating officer	June 2023	April 2019	Managing the supply chain and operations of our Group
Mr. Xiaojie Xi (席曉捷)	47	Executive Director, chief financial officer and company secretary	June 2023	May 2023	Overseeing the overall financial management, financial matters and strategic development of our Group
Dr. Marie Meiying Zhu (朱梅英) . .	58	Chief technology officer	July 2023	July 2023	Supervising the research and CMC development of new ADC drugs
Dr. Jianjun Luo (羅建軍)	56	Vice president	June 2023	November 2011	Supervising ADC conjugate and drug product manufacturing

(1) Denotes the time from which the relevant senior management first became involved in matters relating to the business of our Group while under the employment of the Remaining WXB Group or our Group (where applicable).

Dr. Jincai Li (李錦才) is an executive Director and the chief executive officer of our Company. See "— Board of Directors — Executive Directors" in this section for his biographical details.

Mr. Jerry Jingwei Zhang (張靖偉) is an executive Director and the chief operating officer of our Company. See "— Board of Directors — Executive Directors" in this section for his biographical details.

Mr. Xiaojie Xi (席曉捷) is an executive Director and the chief financial officer of our Company. See "— Board of Directors — Executive Directors" in this section for his biographical details.

Dr. Marie Meiying Zhu (朱梅英), aged 58, has been the chief technology officer of our Company since July 2023. She is primarily responsible for early discovery of new drugs, drug-linkers, and novel conjugation technologies and leading CMC development of ADC drugs. Dr. Zhu is a well-regarded expert and executive with over 28 years of drug development experience in the biotech industry.

Prior to joining our Company, Dr. Zhu served as the chief technical officer of RemeGen Ltd. in Yantai, Shandong, from September 2019 to July 2023 where she is primarily responsible for the research and development of new ADC products as well as leading the whole CMC team to bring the RC48 ADC to commercialization. Prior to that, she was the chief executive officer at MabPlex USA in California and managed its operations including building the site and the team, establishing strategic plans for the site operation, managing business development and technical development for the site. Before that, Dr. Zhu served as up to the senior director of process sciences and manufacturing at Agensys/Astellas Pharma Inc in California where she was responsible for biologic drug development and clinical production from DNA to ADC drug substance. Before that, Dr. Zhu was the associate director of the process development department at Xencor Inc. in California and previously she was the manager of bioprocess development of the biotechnology division at Bristol-Myer Squibb Company in New York. Prior to that, Dr. Zhu held various successive roles at Pfizer Inc. in Connecticut including research scientist, senior research scientist and a group leader of bioprocess research and development.

Dr. Zhu obtained her bachelor's degree in chemical engineering from Tsinghua University (清華大學) in China in July 1987 and later obtained her master's degree in chemical engineering from Illinois Institute of Technology in the United States in December 1991. In May 1999, Dr. Zhu earned her doctoral degree in chemical engineering from the University of Wisconsin-Madison in the United States.

Dr. Jianjun Luo (羅建軍) aged 56, has been our vice president of our Company since June 2023. He is primarily responsible for supervising ADC conjugate and drug product manufacturing of our Group. Dr. Luo has over 30 years of experience in the biopharmaceuticals industry.

Dr. Luo has been the vice president of the bioconjugate drug product manufacturing of XDC Wuxi in August 2021. Prior to that, since February 2020, Dr. Luo has been the vice president of ADC conjugate and drug product manufacturing of the WXB Group primarily responsible for the management of manufacturing business of the production facilities of XDC Wuxi and its operations. Before that, from December 2011 to February 2020, Dr. Luo held several positions within the WXB Group, including senior director of biologics formulation development and manufacturing department and executive director, where he was responsible for establishing the biologics formulation development department of the

Shanghai site and the GMP drug product manufacturing department of the Wuxi site and establishing the new bioconjugation facility. Before joining the WXB Group, he served as a senior scientist in sterile development of Catalent Pharma Solutions and was responsible for sterile product development and manufacturing support, as a scientist in Biopharmaceutical Development of KBI BioPharma, Inc., and was responsible for biologics formulation development, as a chemical engineer in New Jersey Center for Engineered Particulates, New Jersey Institute of Technology in the United States, and as a researcher in the field of Biochemical Engineering in Institute of Process Engineering (中國科學院過程工程研究所) (formerly known as Institute of Chemical Metallurgy), Chinese Academy of Sciences in China.

Dr. Luo obtained a bachelor's degree in chemical engineering from Beijing University of Chemical Technology (北京化工大學) in July 1988 and a master's degree in chemical engineering from Institute of Process Engineering, Chinese Academy of Sciences (中國科學院過程工程研究所) in July 1991. In May 2002, Dr. Luo obtained a doctoral degree in chemical engineering from Dalhousie University in Canada.

COMPANY SECRETARY

Mr. Xiaojie Xi is our company secretary. For details of Mr. Xi's background, see "— Board of Directors — Executive Directors" in this section for his biographical details.

As disclosed in Mr. Xi's biography, he had been a joint company secretary of Akeso, Inc. for over three years from April 2020 to May 2023, and had previously obtained waivers from the Stock Exchange from strict compliance with the requirements under Rule 3.28 of the Listing Rules on the condition that Mr. Xi would be assisted by another qualified joint company secretary, so as to enable Mr. Xi to acquire the "relevant experienced" required by the Listing Rules. Similar to our Company, Akeso, Inc. is also a biotech company that has developed an end-to-end platform which encompasses drug discovery and development, CMC and GMP-compliant manufacturing, and is a company listed on the Main Board of the Stock Exchange, and has allowed Mr. Xi to accumulate deep extensive experience and working knowledge in assisting a biotech company listed on the Stock Exchange that is required of a company secretary. Furthermore, Mr. Xi is also proficient and knowledgeable in the capital markets industry. Throughout his career, Mr. Xi was involved in several high profile capital markets (including IPOs) and merger and acquisition transactions, which requires him to be well-versed with the Listing Rules and the Companies Ordinance of Hong Kong. Moreover, Mr. Xi has undertaken continuing professional development and attended various training seminars in each year from 2020 to 2022 of not less than 15 hours of relevant professional conducted by professional bodies including HKCGI, HKICPA and various law firms. As such, the Board is of the view that Mr. Xi has the requisite relevant experience capable of discharging the functions of a company secretary within the meaning of note 2 of Rule 3.28 of the Listing Rules and is qualified to act as the company secretary of our Company.

Save as disclosed above, none of the Directors or senior management members has held any directorship in any public company the securities of which are listed on any securities market in Hong Kong or overseas during the three years immediately preceding the Latest Practicable Date.

As of the Latest Practicable Date and save as disclosed above, (i) none of the Directors or members of the senior management of our Company is related to any other Directors and members of the senior management of our Company, and (ii) there is no additional matter with respect to the appointment of the Directors that needs to be brought to the attention of the Shareholders, and there is no additional information relating to the Directors that is required to be disclosed pursuant to Rule 13.51(2)(h) to (v)

of the Listing Rules. Save as disclosed in the section headed "Statutory and General Information — D. Further Information of Our Directors and Substantial Shareholders" in Appendix IV to this document, as of the Latest Practicable Date, none of our Directors held any interest in the securities within the meaning of Part XV of the SFO.

BOARD COMMITTEES

In accordance with the relevant laws, regulations, the Articles and the corporate governance practice prescribed in the Listing Rules, we have formed five board committees, namely, the audit committee of the Board (the "**Audit Committee**"), the remuneration committee of the Board (the "**Remuneration Committee**"), the nomination committee of the Board (the "**Nomination Committee**"), the strategy committee of the Board (the "**Strategy Committee**") and the ESG committee of the Board (the "**ESG Committee**").

Audit Committee

We established an audit committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the Audit Committee are to (i) review and supervise the financial reporting process and the internal control system of our Group; (ii) oversee the audit process; (iii) provide advice and comments to our Board; and (iv) perform other duties and responsibilities as assigned by our Board.

The Audit Committee currently comprises Mr. Hao Zhou, Dr. Ulf Grawunder and Mr. Stewart John Hen, our independent non-executive Directors. Mr. Hao Zhou is the chairman of the Audit Committee.

Remuneration Committee

We established a remuneration committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the Remuneration Committee include, among others, (i) establish, review and provide advice to our Board on the policy and structure of the remuneration for our Directors and senior management and on the establishment of a formal and transparent procedure for developing policies concerning remuneration; (ii) determine the terms of the specific remuneration package of each Director and member of our senior management; and (iii) review and approve performance-based remuneration by reference to corporate goals and objectives resolved by our Directors from time to time.

The Remuneration Committee currently comprises Ms. Ming Shi, our non-executive Director, and Dr. Ulf Grawunder and Mr. Stewart John Hen, our independent non-executive Directors. Dr. Ulf Grawunder is the chairman of the Remuneration Committee.

Nomination Committee

We established a nomination committee with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary responsibilities of the Nomination Committee include (i) review the structure, size and composition of the Board on a regular basis and make recommendations to our Board regarding any proposed changes to the composition of our Board, (ii) identify, select or make recommendations to our Board on the selection of individuals

nominated for directorship, and ensure the diversity of our Board members, (iii) assess the independence of our independent non-executive Directors and (iv) make recommendations to our Board on relevant matters relating to the appointment, re-appointment and removal of our Directors and succession planning for our Directors.

The Nomination Committee currently comprises Dr. Zhisheng Chen, our non-executive Director, Dr. Ulf Grawunder and Mr. Hao Zhou, our independent non-executive Directors. Dr. Zhisheng Chen is the chairman of the Nomination Committee.

Strategy Committee

We established a strategy committee with the primary responsibilities of assisting the full Board, in conjunction with management, in addressing our Company's overall mission, vision and strategic direction. Areas of focus will include (i) providing to the Board and management, as applicable, input and recommendations with respect to key strategic initiatives and major research and development programs and partnerships, and (ii) assisting management in establishing a strategic planning process, (iii) identifying and addressing organizational challenges and (iv) evaluating strategic alternatives.

The Strategy Committee currently comprises Dr. Jincai Li, our chief executive officer and executive Director, Dr. Zhisheng Chen and Dr. Weichang Zhou, our non-executive Directors and Dr. Ulf Grawunder and Mr. Stewart John Hen, our independent non-executive Directors. Dr. Jincai Li is the chairman of the Strategy Committee.

ESG Committee

We established an ESG committee with the primary responsibilities of (i) formulating and reviewing our Company's responsibilities, vision, strategy, framework, principles, policies and (ii) monitoring the implementations of the ESG policies passed by the Board to oversee and guide our Company's ESG initiatives and to make recommendations to the Board.

The ESG Committee currently comprises Dr. Jincai Li, our chief executive officer and executive Director, Mr. Jerry Jingwei Zhang, our executive Director, and Dr. Weichang Zhou and Ms. Ming Shi, our non-executive Directors. Dr. Jincai Li is the chairman of the ESG Committee.

CORPORATE GOVERNANCE

Our Directors recognize the importance of incorporating elements of good corporate governance in the management structures and internal procedures of our Group so as to achieve effective accountability and are committed to ensure the lawful, ethical and responsible operation of our Group's businesses. Our Company has adopted the core provisions stated in the Corporate Governance Code, with internal compliance policies in place which set out our compliance requirements so as to ensure consistency with the code provisions stated in the Corporate Governance Code.

In addition, our Company provides regular and topical trainings to our employees to familiarize them with our internal compliance policies and equip them with the necessary knowledge for effective and consistent implementation of our internal compliance policies. Our Company is also committed to the view that our Board should include a balanced composition of executive Directors and independent non-executive Directors to ensure a strong independent element on our Board, which allows for effective exercise of independent judgment.

In addition, pursuant to the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, our Board will regularly review whether each of our Directors is devoting sufficient time and attention to the affairs of our Group including but not limited to the review of the attendance record of Board meetings or Board committee meetings. Should there be concerns on the time commitments by the relevant Director(s) to our Group, our Board may request the relevant Director(s) to provide an update to our Board in relation to any changes with respect to his significant commitments.

As at the Latest Practicable Date, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, our Directors were not aware of any deviation from the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

BOARD DIVERSITY

We recognize and embrace the benefits of having a diverse Board to capture different talents so as to further bolster our Board's performance. This would also enable us in achieving a sustainable and balanced development in the long run. Our Board has adopted a board diversity policy which sets out the approach to achieve and maintain its diversity. The board diversity policy provides that the selection of Board candidates should be based on a range of diversity considerations, including but not limited to professional experience, skills, knowledge, gender, age, cultural and educational background, ethnicity and length of service. Our Directors have a balanced mix of knowledge and skills, including knowledge and experience in the areas of business management, biotechnology, life science, finance, investment and accounting. They obtained degrees in various areas including chemistry and bio-engineering, biochemical science, chemical engineering, business administration, international finance and accounting. Our board diversity policy is well implemented as evidenced by the fact that there are Directors ranging from 47 years old to 59 years old with experience from different industries and sectors.

Given that one out of nine of our Directors are female upon [**REDACTED**], we will continue to take steps to promote gender diversity of our Board. After [**REDACTED**], we will continue to implement measures and steps to promote and enhance gender diversity at all levels of our Company. We will select potential Board candidates based on merit and his/her potential contribution to our Board while taking into account our board diversity policy and other factors, including but not limited to, his/her integration into our management mind set and business model and any specific requirements from time to time. In addition, we target to achieve a gender diversity in the composition of our Board by having female representation of 20% of the members of our Board within three years upon [**REDACTED**]. To ensure gender diversity of our Board in the long run, our Group will take opportunities to increase the proportion of female members of the Board, identify and select several female individuals with a diverse range of skills, experience and knowledge in different fields from time to time, and maintain a list of such females who possess qualities to become our Board Members, which will be reviewed by our Nomination Committee periodically in order to develop a pipeline of potential successors to our Board to promote

gender diversity of our Board. We plan to offer all-rounded trainings to female employees who we consider to have the suitable experience, skills and knowledge of our operation and business, including but not limited to, business operation, management, accounting and finance, legal and compliance and research and development.

After the [**REDACTED**], the Nomination Committee of our Board will review the board diversity policy and its implementation from time to time to ensure its implementation and monitor its continued effectiveness, and the same will be disclosed in our corporate governance report in accordance with the Listing Rules after the [**REDACTED**].

EMOLUMENT OF DIRECTORS AND SENIOR MANAGEMENT

We offer our executive Directors and senior management members, who are also employees of our Company, emolument in the form of salaries, remuneration, pension, discretionary bonus and other welfares. Our non-executive Director does not receive any emolument from our Group. Our independent non-executive Directors receive emolument based on their responsibilities (including being members or chairman of Board committees). We adopt a market and incentive-based employee emolument structure and implement a multi-layered evaluation system which focuses on performance and management goals. We also adopted the [**REDACTED**] Share Option Schemes to attract, retain and motivate employees. For further details of the [**REDACTED**] Share Option Schemes, please see the section headed "Statutory and General Information — E. [**REDACTED**] Share Option Schemes" in Appendix IV to this document.

The aggregate amount of emolument (including salaries, remuneration, pension, discretionary bonus and other welfare) paid to our Directors for the three years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023 were RMB5.20 million, RMB8.88 million, RMB19.83 million and RMB9.65 million, respectively. It is estimated that under the arrangements currently in force, the aggregate emolument payable to the Directors for the year ending December 31, 2023, will be approximately RMB25.0 million.

For the three years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023, the aggregate amount of emolument paid to the five highest paid individuals of our Group, including Directors, were RMB7.40 million, RMB10.74 million, RMB14.84 million, and RMB13.71 million, respectively.

During the Track Record Period, no remuneration was paid to, or receivable by, our Directors or the five highest paid individuals of our Company as an inducement to join or upon joining our Company or as a compensation for loss of office in the Track Record Period. Further, none of our Directors had waived any emolument during the same period.

Except as disclosed above, no other payments have been paid, or are payable, by our Company or any of our subsidiaries to our Directors or the five highest paid individuals of our Company during the Track Record Period.

Each of our executive Directors has entered into a service contract with us on [●] 2023, and we have also entered into letters of appointment with each of our non-executive Directors and independent non-executive Directors on [●], 2023. For details, see the section headed "Statutory and General Information — D. Further Information of Our Directors and Substantial Shareholders" in Appendix IV to this document.

COMPLIANCE ADVISOR

We have appointed Somerley Capital Limited as our compliance advisor pursuant to Rules 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, we must consult with and, if necessary, seek advice from our compliance advisor on a timely basis in the following circumstances:

(a) before the publication of any regulatory announcement, circular or financial report;

(b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;

(c) where we propose to use the [**REDACTED**] of the [**REDACTED**] in a manner different from that detailed in this document or where our business activities, developments or results deviate from any forecast, estimate or other information in this document; and

(d) where the Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our shares.

The term of the appointment will commence on the [**REDACTED**] and end on the date on which we distribute the annual report of the first full financial year commencing after the [**REDACTED**] and such appointment may be subject to extension by mutual agreement.

COMPETITION

Each of our Directors confirms that as of the Latest Practicable Date, he or she did not have any interest in a business which competes or is likely to compete, directly or indirectly, with our business and requires disclosure under Rule 8.10 of the Listing Rules.

From time to time our non-executive Directors may serve on the boards of both private and public companies within the broader healthcare and biopharmaceutical industries. However, as these non-executive Directors are not members of our executive management team, we do not believe that their interests in such companies as directors would render us incapable of carrying on our business independently from the other companies in which these Directors may hold directorships from time to time.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware as of the Latest Practicable Date, immediately following the completion of the [**REDACTED**] (assuming no changes to our issued and outstanding share capital between the Latest Practicable Date and the [**REDACTED**] and assuming the [**REDACTED**] is not exercised), the following persons will have interests and/or short positions (as applicable) in the Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 5% or more of the issued voting rights of our Company or any other member of our Group:

Substantial Shareholder	Capacity/Nature of Interest	Total number of Shares/underlying shares	Approximate percentage of interest in our Company upon the completion of the [REDACTED] (assuming the [REDACTED] is not exercised)
WuXi Biologics	Beneficial interest	[**REDACTED**]	[**REDACTED**]%
WuXi AppTec[(1)]	Interest in controlled corporation	[**REDACTED**]	[**REDACTED**]%
WuXi AppTec (Shanghai)	Interest in controlled corporation	[**REDACTED**]	[**REDACTED**]%
STA	Interest in controlled corporation	[**REDACTED**]	[**REDACTED**]%
STA Pharmaceutical . . .	Beneficial interest	[**REDACTED**]	[**REDACTED**]%

Note:

(1) As of the Latest Practicable Date, STA Pharmaceutical, a wholly-owned subsidiary of STA which is owned by WuXi AppTec (Shanghai) as to 98.56%, a wholly-owned subsidiary of WuXi AppTec, a company whose H shares are listed on the Stock Exchange (stock code: 2359) and A shares listed on the Shanghai Stock Exchange (stock code: 603259). As such, under the SFO, WuXi AppTec. (through its interest in a controlled corporation) is deemed to be interested in the [**REDACTED**] Shares held by STA Pharmaceutical.

Save as disclosed herein, our Directors are not aware of any other person who will, immediately following the completion of the [**REDACTED**] (assuming no changes to our issued and outstanding share capital between the Latest Practicable Date and the [**REDACTED**] and assuming the [**REDACTED**] is not exercised), have any interest and/or short positions in the Shares or underlying Shares which would fall to be disclosed to us pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 5% or more of the issued voting shares of our Company or any other member of our Group. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company or any other member of our Group.

AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of the (i) authorized and issued share capital of our Company; and (ii) shares in issue and to be issued as fully paid or credited as fully paid immediately following the completion of the [**REDACTED**] (without taking into account any exercise of the share options granted under the [**REDACTED**] Share Option Schemes):

As of the Latest Practicable Date, our authorized share capital is US$500,000 divided into 10,000,000,000 ordinary shares, with a par value of US$0.00005 each. As of the Latest Practicable Date, our issued share capital consisted of 1,000,000,000 Shares.

Assuming the [**REDACTED**] is not exercised and without taking into account any exercise of the share options granted under the [**REDACTED**] Share Option Schemes, the share capital of our Company immediately after the [**REDACTED**] will be as follows:

Description of Shares	Number of Shares	Aggregate nominal value of Shares	Approximate percentage of issued share capital
		(US$)	(%)
Shares in issue	1,000,000,000	50,000	[**REDACTED**]
Shares to be issued under the [**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Total	[**REDACTED**]	[**REDACTED**]	100.00

Assuming the [**REDACTED**] is exercised in full but without taking into account any exercise of the share options granted under the [**REDACTED**] Share Option Schemes, the share capital of our Company upon completion of the [**REDACTED**] will be as follows:

Description of Shares	Number of Shares	Aggregate nominal value of Shares	Approximate percentage of issued share capital
		(US$)	(%)
Shares in issue	1,000,000,000	50,000	[**REDACTED**]
Shares to be issued under the [**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Total	[**REDACTED**]	[**REDACTED**]	100.00

ASSUMPTIONS

The above tables assume that the [**REDACTED**] becomes unconditional and that Shares are issued pursuant to the [**REDACTED**]. The above tables also do not take into account any Shares which may be issued or repurchased by us under the general mandates granted to our Directors as referred to below.

RANKING

The [**REDACTED**] will rank *pari passu* in all respects with all Shares currently in issue or to be issued as mentioned in this document, and will qualify and rank equally for all dividends or other distributions declared, made or paid on the Shares on a [**REDACTED**] which falls after the date of this document.

CIRCUMSTANCES UNDER WHICH GENERAL MEETINGS ARE REQUIRED

Our Company will have only one class of Shares, namely ordinary shares, and each ranks *pari passu* with the other Shares upon completion of the [**REDACTED**].

Pursuant to the Cayman Companies Act and the terms of the Memorandum of Association and Articles of Association, our Company may from time to time by ordinary resolution of Shareholders (i) increase its capital; (ii) consolidate and divide its capital into shares of larger amount; (iii) divide its shares into several classes; (iv) subdivide its shares into shares of smaller amount; and (v) cancel any shares which have not been taken. In addition, our Company may subject to the provisions of the Cayman Companies Act reduce its share capital or capital redemption reserve by its Shareholders passing a special resolution. See the section headed "Summary of the Constitution of the Company and Cayman Islands Company Law — Summary of the Constitution of the Company — 2. Articles of Association — 2.4 Alteration of capital" in Appendix III to this document for further details.

GENERAL MANDATE TO ISSUE SHARES

Subject to the [**REDACTED**] becoming unconditional, our Directors have been granted a general unconditional mandate (the "**Issue Mandate**") to allot, issue and deal with Shares with a total nominal value of not more than the sum of:

- 20% of the issued share capital of our Company immediately following the completion of the [**REDACTED**] (excluding any Shares which may fall to be issued upon the exercise of the [**REDACTED**] and the [**REDACTED**] Share Option Schemes); and

- the number of Shares repurchased by our Company (if any) under the general mandate to repurchase Shares referred to below.

The Issue Mandate will expire at the earliest of:

- the conclusion of our Company's next annual general meeting; or

- when varied, revoked or renewed by an ordinary resolution of our Shareholders in a general meeting.

For further details of the Issue Mandate, please see the section headed "Statutory and General Information — A. Further Information about Our Group — 4. Resolutions in writing of our Shareholders passed on [●], 2023" in Appendix IV to this document.

GENERAL MANDATE TO REPURCHASE SHARES

Our Directors have been granted a general unconditional mandate (the "**Repurchase Mandate**") to exercise all the powers of our Company to repurchase our own securities with a nominal value of up to 10% of the aggregate number of our Shares in issue as of the [**REDACTED**].

The Repurchase Mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which our Shares are [**REDACTED**] (and which are recognized by the SFC and the Stock Exchange for this purpose), and which are in accordance with the Listing Rules.

A summary of the relevant Listing Rules is set out in the section headed "Statutory and General Information — A. Further Information about Our Group — 5. Restrictions on Repurchase" in Appendix IV to this document.

The Repurchase Mandate will expire at the earliest of:

- the conclusion of our Company's next annual general meeting; or
- when varied, revoked or renewed by an ordinary resolution of our Shareholders in a general meeting.

For further details of the Repurchase Mandate, please see the section headed "Statutory and General Information — A. Further Information about Our Group — 4. Resolutions in writing of our Shareholders passed on [●], 2023" in Appendix IV to this document.

SHARE OPTION SCHEMES

Our Company adopted the 2021 [**REDACTED**] Share Option Scheme and the 2023 [**REDACTED**] Share Option Scheme, in November 2021 and in March 2023 respectively. For further details of the [**REDACTED**] Share Option Schemes, please see the section headed "Statutory and General Information — E. [**REDACTED**] Share Option Schemes" in Appendix IV to this document.

You should read the following discussion in conjunction with the consolidated financial statements and the notes thereto included in the Accountants' Report set out in Appendix I to this document which have been prepared in accordance with IFRSs and the selected historical financial information and operating data included elsewhere in this document. Our historical results do not necessarily indicate results expected for any future periods. The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results may differ from those anticipated in these forward-looking statements as a result of any number of factors, including those set forth in "Forward-looking Statements" and "Risk Factors." In evaluating our business, you should carefully consider the information provided in "Risk Factors" in this document.

OVERVIEW

We are a leading CRDMO focused on the global ADC and broader bioconjugate market and dedicated to providing integrated and comprehensive services. We are the second largest CRDMO for ADCs and other bioconjugates globally in terms of revenue in 2022, according to Frost & Sullivan. Leveraging expertise in both biologics and small molecules, we offer interdisciplinary and comprehensive services, covering bioconjugate discovery, research, development and manufacturing. We provide these services from proximately located and dedicated laboratories and manufacturing facilities, leading to significant reduction of development timeline and costs. As a fully integrated one-stop bioconjugate discovery, development and manufacturing platform, our mission is to continuously enhance our platform, propel and transform the development of the bioconjugate industry, enable global biopharmaceutical partners and benefit patients worldwide.

With our extensive technical capabilities and impeccable track record, we have become a trusted partner leading the bioconjugate development globally with a broad, loyal and fast-growing customer base. We employ an "enable, follow and win the molecule" strategy to not only grow with our existing customers by providing services from an early stage of their product development cycle, but also win new customers as their bioconjugates progress. As of December 31, 2020, 2021 and 2022 and June 30, 2023, as the result of our "enable" strategy, we had cumulatively progressed 9, 12, 24 and 30 ADC candidates, respectively, from discovery to CMC development. As the result of our "win the molecule" strategy, among the 110 ongoing integrated projects we had as of June 30, 2023, 36 were transferred to us from our customers or their outsourcing service providers. Our diverse and growing customer base includes both innovative biotechnology companies and global pharmaceutical companies, many of which are leading players in the ADC and bioconjugate space with potentially first-in-class or best-in-class pipeline programs. The number of our customers grew significantly from 49 in 2020 to 115 in 2021, 167 in 2022 and 169 in the six months ended June 30, 2023. As of June 30, 2023, we had served 304 customers cumulatively, including most of the major players in the global ADC and broader bioconjugate market. As of the same date, we had won ADC development contracts for all ADC candidates in China with dual filing of IND and/or BLA in China and the United States, and eight out of the 10 China-based companies that out-licensed their ADC pipelines overseas since 2022 are our customers.

We experienced robust growth in our revenue during the Track Record Period. In 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023, our revenue was RMB96.4 million, RMB311.1 million, RMB990.4 million, RMB329.4 million and RMB993.5 million, respectively. We recorded net profit of RMB26.3 million, RMB54.9 million, RMB155.7 million, RMB98.3 million and RMB177.2

million for the same periods, respectively. Our adjusted net profit (non-IFRS measure) amounted to RMB32.8 million, RMB77.1 million, RMB194.4 million, RMB108.9 million and RMB216.4 million in the same periods, respectively. See "— Non-IFRS Measures." Our backlog was US$318.0 million as of December 31, 2022 and US$410.6 million as of June 30, 2023.

BASIS OF PRESENTATION

We were incorporated in Cayman Islands on December 14, 2020. The historical financial information has been prepared in accordance with the accounting policies which conform with IFRSs issued by the International Accounting Standards Board and the convention applicable for certain transfers. See Notes 2 and 4 to the Accountants' Report for more information on the basis of preparation and presentation of our historical financial information.

In the application of our accounting policies, our Directors are required to make judgments, estimates and assumptions about the carrying amounts of assets that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumption are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if revision affects both current and future periods. Judgments made by our management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are stated in Note 5 to the Accountants' Report in Appendix I to this document.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations, financial condition and the period-to-period comparability of our financial results are principally affected by the following factors:

Growth of Global ADC and Broader Bioconjugate Market and the Outsourcing Rate

Our business and results of operations are driven by the demand for outsourcing services for ADCs and other bioconjugates, which in turn is dependent on the growth of the ADC and broader bioconjugate market and pharmaceutical and biotechnology companies' allocated budget on outsourced discovery, development and manufacturing for ADCs and other bioconjugates. According to Frost & Sullivan, the size of the global ADC drug market was US$7.9 billion in 2022 and is anticipated to reach US$64.7 billion in 2030. The outsourcing rate of bioconjugate development has reached approximately 70% by the end of 2022, and the size of the global ADC outsourcing services market was US$1.5 billion in 2022 and is anticipated to reach US$11.0 billion in 2030, at a CAGR of 28.4%. The increasing academic and commercial interest in ADCs and other bioconjugates, as well as the robust growth in pharmaceutical and biotechnology companies' spending on outsourcing services, has led to rising demand for our CRDMO services. We experienced substantial revenue growth during the Track Record Period, and we expect to continue to benefit from these positive market trends. See "Industry Overview" for a detailed discussion on the global ADC and broader bioconjugate market and the global ADC outsourcing services market.

Growth in Project Pipeline and Customer Base

Our business and results of operations depend on our ability to obtain new projects from existing customers and expand our customer base. Maintaining a strong pipeline and being able to continually replenish our backlog are crucial to our long-term success as they underpin the continued growth momentum of our business. Our ability to obtain new projects from both existing customers and new customers is affected substantially by our brand, service offerings, technology capabilities, service qualities, pricing, geographic footprint, and proven track record in serving our customers. Leveraging our advantages in these aspects, we strive to obtain more projects from our existing customers to maintain and strengthen the current level of business relationship. In addition, these advantages also enable us to further grow our customer base globally and acquire new customers to expand the size of our backlog. The number of our customers grew significantly from 49 in 2020 to 115 in 2021, 167 in 2022 and 169 in the six months ended June 30, 2023. As of June 30, 2023, we had served 304 customers cumulatively, including most of the major players in the global ADC and bioconjugate market. As of June 30, 2023, we had 67 ongoing preclinical bioconjugate projects and 43 ongoing post-IND bioconjugate projects. Our backlog reached US$410.6 million as of June 30, 2023, which represents the aggregate amount of service fees for services that we have contracted to perform but have not performed yet. The continued increase in the number of projects during the Track Record Period reflects our customers' trust in us and foretells our revenue and profit growth potential.

Success and Service Mix of Our Projects

Our financial performance is affected by whether the discovery and development of our customers' drug candidates can successfully progress as planned. We generally enter into project-based service contracts or long-term service contracts under which we receive fee income primarily on a fee-for-service, or FFS, basis for the services provided. Our service contracts and work orders under the FFS model typically include a detailed schedule that sets forth specifications of and anticipated time required for completing each step as well as the corresponding payment. Therefore, predicting our revenue in a particular period may be difficult and our period-to-period comparisons may be less meaningful. If an ADC or other bioconjugate candidate is unsuccessful, our services will no longer be needed for the relevant project, and we will not be able to realize the remaining potential value under the contract for such project. If a project is delayed due to technical or other issues, we will be required to spend more time and effort on such project than originally expected. If a project reaches a stage pending regulatory approvals, such as the IND filing, our services will be pending until the regulatory approvals are obtained. We may also adopt the full-time-equivalent, or FTE, model, under which we designate employees to the customer's projects at a fixed rate per FTE employee per period-of-time.

Our growth momentum and profitability is also affected by the service required for different projects, depending on a number of factors, such as the specific development stage(s) covered by a project and our technology and human resources involved. Projects at different stages may have a varied gross profit margin profile. As a result, our revenue and gross profit margin vary between different projects. As pre-IND projects advance into the post-IND stage, the typical range of project contract values is expected to increase. Our revenue from post-IND services, as a percentage of our total revenue, increased from 44.9% in 2020 to 62.6% in the six months ended June 30, 2023. We expect commercial manufacturing projects to be a strong driver of our future revenue growth after we launch the expected commercial manufacturing of the first ADC drug in the near future. Any significant change in the mix of projects of different sizes and types of services may impact our results of operations and our overall profit margin.

Dynamic Pricing Strategy

Pricing is an important factor that affects our business and results of operations. If we are able to negotiate favorable contract terms with our customers, our revenue and profit margin may further increase. We determine our pricing strategies based on a variety of factors, such as our market share and growth strategy, market demand for our services, and pricing dynamics introduced by competitors. We face competition from other third-party contract service providers for the discovery, development and manufacturing of ADCs and other bioconjugates on a global basis. We believe our leadership position in the rapidly growing global ADC drug market, combined with our fully integrated one-stop service capabilities, will allow us to adopt a flexible and dynamic pricing strategy amid the evolving market trend and support our continued growth.

Cost Management in Connection with Our Projects

Our ability to manage costs will affect our overall profitability. Our cost of services was RMB88.3 million, RMB197.6 million, RMB729.3 million, RMB225.5 million and RMB764.1 million in 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, respectively, and our gross profit margin was 8.4%, 36.5%, 26.4%, 31.6% and 23.1% in the same periods, respectively.

Direct labor cost was a significant component of our cost of services during the Track Record Period. Our direct labor cost in connection with our projects include salaries, bonus, share-based compensation and social security costs for our employees deployed for such projects. We have adopted an employee share option plan for the primary purpose of rewarding and incentivizing our employees. Fluctuation in direct labor costs will affect our cost of services and our gross profit margin.

In addition, we have incurred cost of raw materials in connection with our projects. To manage our costs and improve our profit margins and, at the same time, ensure the cost-effective delivery of our services, we continually optimize our supply chain management by seeking alternative suppliers for key raw materials. During the Track Record Period, procurement of raw materials for us was conducted through the centralized procurement system of WXB Group, and we were able to benefit from the economies of scale associated with the magnitude of the global business of WXB Group. Going forward, as our business continues to scale up, we intend to independently procure and gradually benefit from our own economies of scale in procurement.

Due to surging demand for our services, we started outsourcing externally manufacturing of antibody intermediates in 2021, which significantly increased our indirect production cost and overhead. We are in the process of building up our own antibody intermediate manufacturing capacity and plan to gradually reduce the outsourcing of antibody intermediate manufacturing, which is expected to result in improved margin profile.

Expansions in Service Capabilities

To further grow our business, we have continued to expand our facilities and service capabilities. For instance, we entered into agreement to acquire Payload & Linker Business in July 2021 to enhance our discovery, research and development capabilities with respect to payload-linkers. We are also in the process of building additional manufacturing facilities in our Wuxi site to meet the surging demand. Additionally, we plan to construct a new manufacturing base in Singapore to meet the growing demand from customers worldwide for comprehensive bioconjugate CRDMO services and implement a "global dual sourcing" strategy. See "Business — Facilities — Our Facility Expansion Plans" for details. We have incurred significant capital investment from these expansions. Our future plan to expand our facilities and service capabilities will require further capital spending. See "Business — Our Strategies" and "Future Plans and [**REDACTED**]." Moreover, the ramp-up of production in our manufacturing facilities and the increase in service efficiency have resulted in greater economies of scale and had a positive impact on our gross profit margin during the Track Record Period. We expect to further benefit from the increasing utilization of our facilities.

Fluctuation in Foreign Exchange Rates

During the Track Record Period, a majority of our revenue was generated from sales denominated in U.S. dollars. However, a majority of our cost of services and operating costs and expenses are denominated in Renminbi, and our financial information is presented in Renminbi. We are thus subject to foreign exchange risk. For example, if the U.S. dollar appreciates against the Renminbi after we enter into a U.S. dollar denominated project-based service contract or a work order with a customer, our cost of services as a percentage of our revenue attributable to such service contract or work order would decrease due to such appreciation, increasing both our gross profit and gross profit margin. Conversely, if the Renminbi appreciates against the U.S. dollar after we enter into a U.S. dollar denominated project-based service contract or a work order with a customer, our gross profit and gross profit margin would be adversely affected. We have put in place foreign exchange risk control policies, such as the use of derivative financial instruments, to manage potential risks we may face during volatile fluctuations in foreign exchange rates.

CRITICAL ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

We prepare our consolidated financial information in accordance with accounting policies which conform with IFRSs issued by the International Accounting Standards Board, which requires us to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities on the date of the consolidated financial information and the reported amounts of revenue and expenses during the financial reporting period. We continually evaluate these estimates and assumptions based on the most recently available information, our own historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Because the use of estimates is an integral component of the financial reporting process, actual results could differ from those estimates. We will continually assess our assumptions and estimates going forward. We consider the policies and estimates discussed below to be critical to an understanding of our consolidated financial information as their application places the most significant demands on our management's judgment. For details of our significant accounting policies and estimates, see Note 5 in the Accountants' Report set out in Appendix I to this document.

Revenue

We recognize revenue when (or as) a performance obligation is satisfied, i.e., when "control" of the services underlying the particular performance obligation is transferred to the customer. A performance obligation represents a service (or a bundle of services) that is distinct or a series of distinct services that are substantially the same.

Control is transferred over time and revenue is recognized over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met: (i) the customer simultaneously receives and consumes the benefits provided by our performance as we perform; (ii) our performance creates or enhances an asset that the customer controls as we perform; or (iii) our performance does not create an asset with an alternative use to us and we have an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognized at a point in time when the customer obtains control of the distinct service.

A contract asset represents our right to consideration in exchange for services that we have transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents our unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due. A contract liability represents our obligation to transfer services to a customer for which we have received consideration (or an amount of consideration is due) from the customer. A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Contracts with Multiple Performance Obligations (Including Allocation of Transaction Price)

For contracts that contain more than one performance obligations (i.e., fee-for-service ("**FFS**")), contracts usually have multiple deliverable units, which are generally in the form of technical laboratory reports, samples and/or goods), and we allocate the transaction price to each performance obligation on a relative stand-alone selling price basis, except for the allocation of discounts and variable consideration.

The stand-alone selling price of the distinct service underlying each performance obligation is determined at contract inception. It represents the price at which we would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, we estimate it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which we expect to be entitled in exchange for transferring the promised goods or services to the customer.

Over Time Revenue Recognition: Measurement of Progress Towards Complete Satisfaction of a Performance Obligation

The selection of the method to measure progress towards completion requires judgment and is based on the nature of the products or services to be provided. Depending on which better depicts the transfer of value to the customer, we measure its progress using either services transferred to the customer to date (output method) or cost-to-cost (input method).

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognize revenue on the basis of our costs incurred to date to the satisfaction of a performance obligation relative to the total expected costs to the satisfaction of that performance obligation, that best depict our performance in transferring control of services.

As a practical expedient, if we have a right to consideration in an amount that corresponds directly with the value of our performance completed to date (for example, service contracts in which we bill a fixed amount for each hour of service provided), we recognize revenue in the amount to which we have the right to invoice.

Principal versus Agent

When another party is involved in providing goods or services to a customer, we determine whether the nature of our promise is a performance obligation to provide the specified goods or services itself (i.e. we are a principal) or to arrange for those goods or services to be provided by the other party (i.e. we are an agent). We are a principal if we control the specified good or service before that good or service is transferred to a customer. We are an agent if our performance obligation is to arrange for the provision of the specified good or service by another party. In this case, we do not control the specified good or service provided by another party before that good or service is transferred to the customer. When we act as an agent, we recognizes revenue in the amount of any fee or commission to which we expect to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

Foreign Currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than functional currency of that entity (foreign currencies) are recognized at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognized in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of our foreign operations are translated into our presentation currency (i.e., Renminbi) using exchange rate prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve.

Research and Other Grants

Research and other grants are accounted for in accordance with IAS 20 Accounting for Government Grants and Disclosure of Government Assistance. Research and other grants are not recognized until there is reasonable assurance that we will comply with the conditions attaching to them and that the grants will be received. Research and other grants are recognized in profit or loss on a systematic basis over the periods in which we recognize as expenses the related costs for which the grants are intended to compensate. Research and other grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to us with no future related costs are recognized in profit or loss in the period in which they become receivable. Such grants are presented under "other income."

Equity-Settled Share-Based Payment

Share Options Granted to Employees

Equity-settled share-based payments to employees (including our Directors) are measured at the fair value of the equity instruments at the grant date. The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on our estimate of equity instruments that will eventually vest, with a corresponding increase in equity (equity-settled share-based compensation reserve). At the end of each reporting period, we revise our estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled share-based compensation reserve.

When the share options are exercised, the amount previously recognized in equity-settled share-based compensation reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognized in equity-settled share-based compensation reserve will continue to be held in equity-settled share-based compensation reserve.

Modification to the Terms and Conditions of the Share-based Payment Arrangements

When the terms and conditions of an equity-settled share-based payment arrangement are modified, we recognize, as a minimum, the services received measured at the grant date fair value of the equity instruments granted, unless those equity instruments do not vest because of failure to satisfy a vesting condition (other than a market condition) that was specified at grant date. In addition, if we modify the vesting conditions (other than a market condition) in a manner that is beneficial to the employees, for example, by reducing the vesting period, we take the modified vesting conditions into consideration over the remaining vesting period. The incremental fair value granted, if any, is the difference between the fair value of the modified equity instruments and that of the original equity instruments, both estimated as of the date of modification.

If the modification occurs during the vesting period, the incremental fair value granted is included in the measurement of the amount recognized for services received over the period from modification date until the date when the modified equity instruments are vested, in addition to the amount based on the grant date fair value of the original equity instruments, which is recognized over the remainder of the original vesting period. If the modification reduces the total fair value of the share-based arrangement, or is not otherwise beneficial to the employee, we continue to account for the original equity instruments granted as if that modification had not occurred.

Equity Instruments Granted by the then Ultimate Holding Company to Our Employees

The grant by the then ultimate holding company of equity instruments under its employee stock incentive plan to our employees (including directors of the Company) is treated as equity-settled share-based payments in the consolidated financial statements. An expense for the grant date fair value of the equity instruments under the employee stock incentive plan is recognized over the vesting period of the instruments, with a corresponding increase in equity. The increase in equity is treated as a deemed capital contribution into us and is included in equity-settled share-based compensation reserve.

Property, Plant and Equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Property, plant and equipment other than assets under construction in progress are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Property, plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by our management, including costs of testing whether the related assets are functioning properly and, for qualifying assets, borrowing costs capitalized in accordance with our accounting policy. Sales proceeds of items that are produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by our management (such as samples produced when testing whether the asset is functioning properly), and the related costs of producing those items are recognized in the profit or loss. The costs of those items are measured in accordance with the measurement requirements of IAS 2. Depreciation of these assets, on the same basis as other assets, commences when the assets are ready for their intended use.

Depreciation is recognized so as to write off the cost of assets other than property, plant and equipment in the course of construction less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of the reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Intangible Assets

Internally-generated Intangible Asset – Research and Development Expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred. An internally-generated intangible asset arising from development activities is recognized if, and only if, all of the following have been demonstrated: (i) the technical feasibility of completing the intangible asset so that it will be available for use or sale; (ii) the intention to complete the intangible asset and use or sell it; (iii) the ability to use or sell the intangible asset; (iv) how the intangible asset will generate probable future economic benefits; (v) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and (vi) the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. If no internally-generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred. Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

Intangible Assets Acquired in a Business Combination

Intangible assets acquired in a business combination are recognized separately from goodwill and are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortization and any accumulated impairment losses on the same basis as intangible assets that are acquired separately. An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

RESULTS OF OPERATIONS

The following table set forth our consolidated statements of profit or loss and other comprehensive income for the periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2020		2021		2022		2022		2023	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(RMB in thousands except for percentages)						(unaudited)			
Revenue	96,353	100.0	311,131	100.0	990,423	100.0	329,436	100.0	993,468	100.0
Cost of services	(88,272)	(91.6)	(197,637)	(63.5)	(729,340)	(73.6)	(225,481)	(68.4)	(764,068)	(76.9)
Gross profit	8,081	8.4	113,494	36.5	261,083	26.4	103,955	31.6	229,400	23.1
Selling and marketing expenses	(478)	(0.5)	(2,028)	(0.7)	(8,769)	(0.9)	(4,152)	(1.3)	(5,823)	(0.6)
Administrative expenses	(9,608)	(10.0)	(27,858)	(9.0)	(49,210)	(5.0)	(15,248)	(4.6)	(42,739)	(4.3)
[**REDACTED**] expenses	—	—	—	—	—	—	—	—	(7,374)	(0.7)
Research and development expenses	(4,075)	(4.2)	(13,815)	(4.4)	(33,842)	(3.4)	(11,059)	(3.4)	(29,749)	(3.0)
Finance costs	—	—	(493)	(0.2)	(2,916)	(0.3)	(1,573)	(0.5)	(569)	(0.1)
Other income	41,446	43.0	8,966	2.9	26,152	2.6	18,812	5.7	39,579	4.0
Other gains and losses	(2,711)	(2.8)	(855)	(0.3)	46,672	4.7	25,679	7.8	4,461	0.4
Impairment losses (recognized)/ reversed, under expected credit loss model, net of reversal	(289)	(0.3)	(10,558)	(3.4)	(43,369)	(4.4)	2,976	0.9	24,382	2.5
Profit before tax	32,366	33.6	66,853	21.5	195,801	19.8	119,390	36.2	211,568	21.3
Income tax expense	(6,067)	(6.3)	(11,923)	(3.8)	(40,070)	(4.0)	(21,123)	(6.4)	(34,354)	(3.5)
Profit for the period	26,299	27.3	54,930	17.7	155,731	15.7	98,267	29.8	177,214	17.8
Other comprehensive income/(expense)										
Items that may be reclassified subsequently to profit or loss:										
Fair value gain/(loss) on cash flow hedges, net of income tax	1,668	1.7	499	0.2	(3,313)	(0.3)	(4,025)	(1.2)	1,146	0.1
Exchange gain arising on translation of foreign operations	—	—	—	—	—	—	—	—	4,635	0.5
Other comprehensive income/(expense) for the period	1,668	1.7	499	0.2	(3,313)	(0.3)	(4,025)	(1.2)	5,781	0.6
Total comprehensive income for the period	27,967	29.0	55,429	17.8	152,418	15.4	94,242	28.6	182,995	18.4
Non-IFRS Measures:										
Adjusted net profit (non-IFRS measure)[(1)]	32,775	34.0	77,087	24.8	194,357	19.6	108,862	33.0	216,368	21.8
EBITDA (non-IFRS measure)[(2)]	45,800	47.5	86,299	27.7	224,917	22.7	134,273	40.8	231,463	23.3
Adjusted EBITDA (non-IFRS measure)[(3)]	52,276	54.3	108,456	34.9	263,543	26.6	144,868	44.0	270,617	27.2

(1) Adjusted net profit is a non-IFRS measure. We defined "adjusted net profit (non-IFRS measure)" as net profit for the period adjusted by adding back [**REDACTED**] expenses and share-based compensation. See "— Non-IFRS Measures."

(2) EBITDA is a non-IFRS measure. We defined "EBITDA (non-IFRS measure)" as net profit for the period adjusted by adding back depreciation and amortization, income tax expense and finance costs. See "— Non-IFRS Measures."

(3) Adjusted EBITDA is a non-IFRS measure. We defined "adjusted EBITDA (non-IFRS measure)" as EBITDA (non-IFRS measure) for the period adjusted by adding back [**REDACTED**] expenses and share-based compensation. See "— Non-IFRS Measures."

NON-IFRS MEASURES

Our consolidated financial information was prepared in accordance with IFRSs. To supplement our consolidated results which are prepared and presented in accordance with IFRSs, we use adjusted net profit (non-IFRS measure), EBITDA (non-IFRS measure), and adjusted EBITDA (non-IFRS measure) as additional financial measures, which are not required by, or presented in accordance with, IFRSs. We believe that these measures facilitate comparisons of operating performance from period to period and company to company by eliminating the potential impact of items, such as certain non-cash items. The use of these non-IFRS measures has limitations as an analytical tool, and you should not consider them in isolation from, as a substitute for, analysis of, or superior to, our results of operations or financial condition as reported under IFRSs. In addition, these non-IFRS financial measures may be defined differently from similar terms used by other companies, and may not be comparable to other similarly titled measure used by other companies.

We define adjusted net profit (non-IFRS measure) as net profit for the period, adjusted by adding non-cash items. [**REDACTED**] expenses are the expenses relating to the [**REDACTED**]. Share-based compensation is non-cash expenses arising from granting restricted share award and options to senior management and employees. The following table sets forth a reconciliation of our adjusted net profit (non-IFRS measure) for 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023 to the nearest measure prepared in accordance with IFRSs.

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	(RMB in thousands)				
				(unaudited)	
Profit for the period	26,299	54,930	155,731	98,267	177,214
Add:					
[**REDACTED**] expenses	—	—	—	—	7,374
Share-based compensation	6,476	22,157	38,626	10,595	31,780
Adjusted net profit (non-IFRS measure)	32,775	77,087	194,357	108,862	216,368

We define EBITDA (non-IFRS measure) as net profit for the period, adjusted by adding back depreciation and amortization, income tax expenses and finance costs and subtracting interest income from banks) for the period. We define adjusted EBITDA (non-IFRS measure) as EBITDA (non-IFRS measure), adjusted by adding back [**REDACTED**] expenses and share-based compensation. The following table sets forth a reconciliation of our EBITDA (non-IFRS measure) and adjusted EBITDA (non-IFRS measure) for 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023 to the nearest measures prepared in accordance with IFRSs.

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	(RMB in thousands)				
				(unaudited)	
Profit for the period	26,299	54,930	155,731	98,267	177,214
Add:					
Income tax expense	6,067	11,923	40,070	21,123	34,354
Depreciation and amortization	13,465	18,981	30,812	13,872	22,750
Finance costs	—	493	2,916	1,573	569
Subtract:					
Interest income from banks	(31)	(28)	(4,612)	(562)	(3,424)
EBITDA (non-IFRS measure)	45,800	86,299	224,917	134,273	231,463
Add:					
[**REDACTED**] expenses	—	—	—	—	7,374
Share-based compensation	6,476	22,157	38,626	10,595	31,780
Adjusted EBITDA (non-IFRS measure)	52,276	108,456	263,543	144,868	270,617

KEY COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenue

During the Track Record Period, we generated revenue from our CRDMO services for ADCs and other bioconjugates.

Revenue by Project Development Stage

During the Track Record Period, we generated revenue from a mix of bioconjugate projects in various development stages, which can be broadly categorized into (i) revenue from pre-IND projects, primarily bioconjugate discovery projects at the drug discovery stage and preclinical development stage, and (ii) revenue from post-IND projects, primarily at clinical and commercial stage. The following table sets forth a breakdown of our revenue by development stages of projects, both in absolute amount and as a percentage of our total revenue, for the periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2020		2021		2022		2022		2023	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(RMB in thousands except for percentages)									
							(unaudited)			
Pre-IND services	53,122	55.1	152,506	49.0	381,071	38.5	99,267	30.1	371,273	37.4
Post-IND services	43,231	44.9	158,625	51.0	609,352	61.5	230,169	69.9	622,195	62.6
Total	96,353	100.0	311,131	100.0	990,423	100.0	329,436	100.0	993,468	100.0

Revenue from post-IND services, as a percentage of our total revenue, increased during the Track Record Period, primarily due to the increase in the number of our post-IND projects which have relatively high contract value. As of June 30, 2023, we had 12 non-ADC integrated projects, accounting for 10.9% of the total number of our ongoing integrated projects as of the same date.

Revenue by Project Type

During the Track Record Period, we generated revenue from both ADC and non-ADC projects in terms of project types. The following table sets forth a breakdown of our revenue by project types, both in absolute amount and as a percentage of our total revenue, for the periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2020		2021		2022		2022		2023	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(RMB in thousands except for percentages)									
							(unaudited)			
ADC	91,706	95.2	276,178	88.8	914,965	92.4	290,859	88.3	938,074	94.4
Non-ADC	4,647	4.8	34,953	11.2	75,458	7.6	38,577	11.7	55,394	5.6
Total	96,353	100.0	311,131	100.0	990,423	100.0	329,436	100.0	993,468	100.0

Revenue by Fee Model

During the Track Record Period, we provided CRDMO services on both FFS basis and FTE basis. The FFS model is our default fee model for a vast majority of our projects during the Track Record Period. Under the FFS model, a contract or work order typically comprises a number of tasks, each including several discovery, development and/or manufacturing steps. A task is deemed to have been completed after all the steps within such task are completed. Our service contracts and work orders under the FFS model typically include a detailed schedule that sets forth specifications of and anticipated time required for completing each step as well as the corresponding payment. We are typically required to deliver a technical laboratory report, product/samples and/or other deliverables and transfer the relevant research results and rights to the customer upon completion of each discovery, development or manufacturing step. A particular step is deemed to be completed upon the customer's acceptance of the deliverables in relation to such step, which indicates that the customer is satisfied with the services provided by us at such step and would like us to proceed to the next step of the project. We typically require our customers to make an upfront payment upon the commencement of each task and the remaining payment after we complete such task to the satisfaction of our customers. Revenue from the services rendered for a particular step is recognized only after we receive such acceptance from the customer. As a result, the corresponding service fee for each step is recorded as unbilled revenue upon the completion of such step until the entire task is completed, at which time we will bill the customer. Unbilled revenue is converted into a receivable at this time. A work order may also include pre-set milestones, particularly for projects which utilize our proprietary technologies such as WuXiDAR4. Milestone fee is recognized immediately upon the project reaching a pre-set milestone, which may or may not coincide with the completion of a specific step or task under the work order. During the Track Record Period, we recorded a small amount of milestone fee income. See "Business — Our Business Model — Our Fee Models — Fee-for-service Model" for details.

To a lesser extent, we also provided CRDMO services on an FTE basis during the Track Record Period. Under the FTE model, we assemble and assign a project team of employees dedicated to customers' project for a specific period of time and charge the customers at a fixed hourly or daily rate per employee. We typically require the customer to make monthly payments for services rendered and recognize revenue over the service period. See "Business — Our Business Model — Our Fee Models — Full-time-equivalent Model" for details.

The following table sets forth a breakdown of our revenue by fee model, both in absolute amount and as a percentage of our total revenue, for the periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2020		2021		2022		2022		2023	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(RMB in thousands except for percentages)									
							(unaudited)			
Services on FFS basis	96,353	100.0	311,131	100.0	974,421	98.4	324,513	98.5	980,144	98.7
Services on FTE basis	—	—	—	—	16,002	1.6	4,923	1.5	13,324	1.3
Total	96,353	100.0	311,131	100.0	990,423	100.0	329,436	100.0	993,468	100.0

Revenue by Geographic Coverage

We have a broad, loyal and fast-growing customer base. During the Track Record Period, we generated revenue from ultimate customers primarily from North America, China and Europe. The following table sets forth a breakdown of our revenue based on the location of our customers' headquarters, both in absolute amount and as a percentage of our total revenue, for the periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2020		2021		2022		2022		2023	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(RMB in thousands except for percentages)									
							(unaudited)			
North America	18,068	18.7	89,923	28.9	444,916	44.9	158,311	48.1	367,711	37.0
China	68,688	71.3	128,427	41.3	306,198	30.9	96,605	29.3	356,019	35.9
Europe	—	—	70,085	22.5	175,225	17.7	51,841	15.7	229,780	23.1
Others[(1)]	9,597	10.0	22,696	7.3	64,084	6.5	22,679	6.9	39,958	4.0
Total	96,353	100.0	311,131	100.0	990,423	100.0	329,436	100.0	993,468	100.0

* Revenue by geographic coverage is presented based on the location of the ultimate customers. For legacy contracts that were contracted with Remaining WXB Group but were executed by us, we classify revenue based on the location of the customers' headquarters, rather than that of Remaining WXB Group.

(1) Includes primarily countries and regions in Asia (excluding China) and Australia.

Revenue from customers in North America, China and Europe increased significantly during the Track Record Period, as a result of the continual increase in customer demand for our CRDMO services globally and in these markets particularly, driven by the development of the global ADC market and our established industry position as a leading CRDMO service provider for ADC and other bioconjugates.

Cost of Services

Our cost of services consisted of indirect production cost and overheads, direct labor costs, cost of raw materials, and depreciation and amortization. Indirect production cost and overheads primarily represented costs incurred for the outsourcing of antibody intermediate manufacturing, as well as testing fees, utilities and maintenance expenses. Direct labor costs primarily consisted of salaries, bonus, social security expenses and share-based compensation for the employees in our laboratories and manufacturing facilities. In 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, our share-based compensation as part of the cost of services amounted to RMB2.6 million, RMB14.4 million, RMB25.7 million, RMB9.7 million and RMB21.5 million, respectively. Cost of raw materials primarily consisted of costs incurred for the purchase of raw materials used in the provision of our services, such as laboratory supplies and antibody intermediates. Depreciation and amortization consisted of depreciation relating to the facilities and equipment and amortization relating to the intangible assets and software used in the provision of our services. During the Track Record Period, our cost of services was RMB88.3 million, RMB197.6 million, RMB729.3 million, RMB225.5 million and RMB764.1 million in 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, respectively, primarily driven by our revenue growth. The following table sets forth a breakdown of our cost of services by nature, both in absolute amount and as a percentage of total cost of services, for the periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2020		2021		2022		2022		2023	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(RMB in thousands except for percentages)									
							(unaudited)			
Indirect production cost and overheads	5,760	6.5	42,746	21.7	460,457	63.1	91,759	40.7	560,954	73.4
Direct labor cost	45,237	51.3	82,019	41.5	150,775	20.7	65,503	29.1	109,213	14.2
Cost of raw materials	25,797	29.2	60,340	30.5	97,522	13.4	59,092	26.2	78,560	10.4
Depreciation and amortization	11,478	13.0	12,532	6.3	20,586	2.8	9,127	4.0	15,341	2.0
Total	88,272	100.0	197,637	100.0	729,340	100.0	225,481	100.0	764,068	100.0

Gross Profit and Gross Profit Margin

Our gross profit was RMB8.1 million, RMB113.5 million, RMB261.1 million, RMB104.0 million and RMB229.4 million in 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, respectively, representing a gross profit margin of 8.4%, 36.5%, 26.4%, 31.6% and 23.1% for the same periods, respectively. Our gross profit margin fluctuated during the Track Record Period. Although we operated within the WXB Group's BCD business unit as early as 2013, we started to build up our manufacturing facilities in 2018. Our early investment in talent recruitment and facility construction of our Wuxi site starting in 2018 in an effort to ramp up our operation incurred significant direct labor cost and depreciation and amortization charges, which resulted in the relatively low gross profit margin of 8.4% in 2020. The growth in our business scale, the ramp-up of production, and the increase in service efficiency in our manufacturing facilities in 2021 resulted in greater economies of scale and an increase in our gross profit margin since 2021, and a percentile increase in outsourcing cost with respect to the manufacture of antibody intermediates lowered our gross profit margin in 2022 and the six months ended June 30, 2023.

Selling and Marketing Expenses

Our selling and marketing expenses primarily consisted of (i) depreciation and amortization, representing primarily amortization of the customer relationship asset acquired in relation to our acquisition of the Payload & Linker Business, and (ii) labor cost, representing primarily salaries, bonus, social security cost and other employee benefits and share-based compensation for our sales and marketing personnel. We incurred selling and marketing expenses of RMB0.5 million, RMB2.0 million, RMB8.8 million, RMB4.2 million and RMB5.8 million in 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, respectively, representing 0.5%, 0.7%, 0.9%, 1.3% and 0.6% of our total revenue for the same periods, respectively. We have inherited the strong brand recognition of our parent company, WuXi Biologics, which enables us to enhance our sales and marketing efficiency. The following table sets forth a breakdown of our selling and marketing expenses, both in absolute amount and as a percentage of total selling and marketing expenses, for the periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2020		2021		2022		2022		2023	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(RMB in thousands except for percentages)									
							(unaudited)			
Depreciation and amortization	—	—	1,550	76.4	6,202	70.7	3,101	74.7	3,102	53.3
Labor cost	478	100.0	478	23.6	2,410	27.5	1,051	25.3	2,549	43.7
Others	—	—	—	—	157	1.8	—	—	172	3.0
Total selling and marketing expenses	478	100.0	2,028	100.0	8,769	100.0	4,152	100.0	5,823	100.0

Administrative Expenses

Our administrative expenses primarily consisted of (i) labor cost, representing primarily salaries, bonus, social security cost and other employee benefits and share-based compensation for our administrative personnel, (ii) expenses incurred by us in connection with our provision of rental and related services, (iii) logistics and accommodation expenses, representing intra-site transportation expenses and accommodation expenses incurred by our administrative personnel, (iv) depreciation and amortization, representing primarily the depreciation of our equipment and facilities used by our administrative department, (v) professional service fees, representing primarily audit and legal service fees incurred during our ordinary course of business, and (vi) other administrative expenses primarily maintenance expense and utilities. We incurred administrative expenses of RMB9.6 million, RMB27.9 million, RMB49.2 million, RMB15.2 million and RMB42.7 million in 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, respectively, representing 10.0%, 9.0%, 5.0%, 4.6% and 4.3% of our total revenue for the same periods, respectively. The following table sets forth a breakdown of our administrative expenses, both in absolute amount and as a percentage of total administrative expenses, for the periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2020		2021		2022		2022		2023	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(RMB in thousands except for percentages)									
							(unaudited)			
Labor cost	4,434	46.1	12,191	43.8	30,100	61.2	7,924	52.0	29,970	70.2
Expenses related to provision of rental and other related services	912	9.5	7,362	26.4	6,349	12.9	2,945	19.3	5,275	12.3
Logistics and accommodation expenses	800	8.3	1,036	3.7	4,456	9.1	1,644	10.8	2,189	5.1
Depreciation and amortization	1,987	20.7	3,432	12.3	1,745	3.5	667	4.4	1,824	4.3
Professional service fees	135	1.4	1,845	6.6	2,442	5.0	950	6.2	950	2.2
Others[(1)]	1,340	14.0	1,992	7.2	4,118	8.3	1,118	7.3	2,531	5.9
Total administrative expenses	9,608	100.0	27,858	100.0	49,210	100.0	15,248	100.0	42,739	100.0

(1) Includes primarily maintenance expenses and utilities.

Our administrative expenses increased significantly during the Track Record Period, primarily due to the headcount increase in our administrative staff and the recruitment of senior management, resulting in an increase in labor cost. In particular, our professional service fees increased during the Track Record Period, primarily driven by the increase in our demand for professional audit and legal services to support our operational growth. Our logistics and accommodation expenses increased during 2020 and 2022, primarily due to the increase in our administrative personnel, and remained relatively stable at RMB1.6 million and RMB2.2 million in the six months ended June 30, 2022 and 2023, respectively.

[REDACTED] Expenses

We incurred [**REDACTED**] expenses of RMB7.4 million in the six months ended June 30, 2023, representing costs and expenses incurred in connection with the [**REDACTED**].

Research and Development Expenses

Our research and development activities during the Track Record Period primarily related to development of our technology platform, including conjugation technologies, library of payload-linkers, as well as process development know-how and analytical methods, among others. Our research and development expenses primarily consisted of (i) labor cost, representing primarily salaries, bonus, social security cost and other employee benefits for our R&D staff, (ii) cost of materials, representing supplies and raw materials used in our R&D activities, and (iii) depreciation and amortization, representing the depreciation of our equipment and facilities used by our R&D department and the amortization of the intangible assets used in our R&D activities. We incurred research and development expenses of RMB4.1 million, RMB13.8 million, RMB33.8 million, RMB11.1 million and RMB29.7 million in 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, respectively, representing 4.2%, 4.4%, 3.4%, 3.4% and 3.0% of our total revenue for the same periods, respectively. The following table sets forth a breakdown of our research and development expenses, both in absolute amount and as a percentage of total research and development expenses, for the periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2020		2021		2022		2022		2023	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(RMB in thousands except for percentages)									
							(unaudited)			
Labor cost	2,695	66.1	8,471	61.3	16,786	49.6	6,442	58.3	14,014	47.2
Cost of materials	1,380	33.9	3,877	28.1	14,777	43.7	3,640	32.9	13,252	44.5
Depreciation and amortization	—	—	1,467	10.6	2,279	6.7	977	8.8	2,483	8.3
Total research and development expenses	4,075	100.0	13,815	100.0	33,842	100.0	11,059	100.0	29,749	100.0

Finance Costs

Finance costs consisted of interest expense arising from intercompany borrowings between us and Remaining WXB Group and lease liabilities. We incurred finance costs of nil, RMB0.5 million, RMB2.9 million, RMB1.6 million and RMB0.6 million in 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, respectively. As of the Latest Practicable Date, all intercompany borrowings between us and the Remaining WXB Group had been settled in full.

Other Income

Our other income primarily consisted of (i) rental income and other related income, arising from the lease of our assembly center to the Remaining WXB Group, (ii) sales of materials to related parties, primarily related to intercompany transfer of materials to the Remaining WXB Group, (iii) interest income from banks, and (iv) research and other grants related to income, which primarily related to awards recognizing our contribution to the high-tech industry and economy. We recorded other income of

RMB41.4 million, RMB9.0 million, RMB26.2 million, RMB18.8 million and RMB39.6 million in 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, respectively. The following table sets forth a breakdown of our other income, both in absolute amount and as a percentage of total other income, for the periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2020		2021		2022		2022		2023	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(RMB in thousands except for percentages)						(unaudited)			
Rental and other related income	1,525	3.7	7,596	84.7	3,831	14.7	1,614	8.6	1,122	2.8
Sales of materials to related parties	246	0.6	445	5.0	1,930	7.4	1,313	7.0	3,730	9.4
Interest income from banks	31	0.1	28	0.3	4,612	17.6	562	3.0	3,424	8.7
Research and other grants related to income	39,644	95.6	897	10.0	15,779	60.3	15,323	81.4	31,303	79.1
Total	41,446	100.0	8,966	100.0	26,152	100.0	18,812	100.0	39,579	100.0

Other Gains and Losses

Our other gains and losses primarily included fair value gain on wealth management products and net foreign exchange gain and loss. We recorded other losses of RMB2.7 million and RMB0.9 million in 2020 and 2021, respectively. We recorded other gains of RMB46.7 million, RMB25.7 million and RMB4.5 million in 2022 and the six months ended June 30, 2022 and 2023, respectively. The following table sets forth a breakdown of our other gains and losses, both in absolute amount and as a percentage of total other gains and losses, for the periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2020		2021		2022		2022		2023	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(RMB in thousands except for percentages)						(unaudited)			
Net foreign exchange (loss)/gain	(2,711)	(100.0)	(986)	(115.3)	46,284	99.2	25,455	99.1	(1,407)	(31.5)
Fair value gain on-wealth management products	—	—	—	—	—	—	—	—	5,543	124.2
Others	—	—	131	15.3	388	0.8	224	0.9	325	7.3
Total	(2,711)	(100.0)	(855)	(100.0)	46,672	100.0	25,679	100.0	4,461	100.0

Impairment Losses (Recognized)/Reversed, under ECL Model, Net of Reversal

Our impairment losses (recognized)/reversed, under expected credit loss ("**ECL**") model, net of reversal, primarily consisted of credit loss on our trade receivables. We recognized impairment losses, net of reversal, of RMB0.3 million, RMB10.6 million and RMB43.4 million in 2020, 2021, 2022, respectively. We reversed impairment losses of RMB3.0 million and RMB24.4 million in the six months ended June 30, 2022 and 2023, respectively.

Income Tax Expense

Our income tax expense primarily consisted of the current tax at the statutory rates applicable to our assessable profit before taxation as determined under relevant laws and regulations. In 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, our income tax expense was RMB6.1 million, RMB11.9 million, RMB40.1 million, RMB21.1 million and RMB34.4 million, respectively.

During the Track Record Period, our income tax expense primarily consisted of income tax payable by our subsidiaries in the PRC and Hong Kong. During the Track Record Period and up to the Latest Practicable Date, we had paid all relevant taxes when due and there were no matters in dispute or unresolved with the relevant tax authorities.

PRC Enterprise Income Tax

Pursuant to the EIT Law and related regulations, enterprises which operate in China are generally subject to enterprise income tax at a rate of 25% on the taxable profit. Enterprises recognized as a "high and new technology enterprise" ("**HNTE**") are entitled to a preferential tax rate of 15% for three years as long as the HNTE status is valid, and qualifying entities may re-apply for an additional three years provided that their business operations continue to qualify for the HNTE status. XDC Wuxi was recognized as an HNTE in December 2020. As a result, XDC Wuxi was entitled to the preferential tax rate of 15% in 2020, 2021, 2022 and the six months ended June 30, 2023. In addition, certain of our operating subsidiaries in the PRC qualified as "micro and small enterprises" and were entitled preferential tax treatment. For risks relating to our preferential tax treatments, see "Risk Factors — Risks Relating to Our Business and Industry — The discontinuation of any of research and other grants or preferential tax treatment currently available to us could adversely affect our financial position, results of operations, cash flows and prospects."

Hong Kong Profits Tax

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit.

Effective Tax Rate

Our effective tax rate, representing income tax expense divided by profit before taxation, was 18.7%, 17.8%, 20.5%, 17.7% and 16.2% in 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, respectively. Our effective tax rate in 2020, 2021, 2022 and the six months ended in June 30, 2022 and 2023 was relatively stable and below the 25% statutory rate, primarily due to the preferential tax treatment enjoyed by XDC Wuxi.

Profit for the Period

We recorded net profit of RMB26.3 million, RMB54.9 million, RMB155.7 million, RMB98.3 million and RMB177.2 million in 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, respectively. The significant growth of our net profit during the Track Record Period was generally in line with our revenue and business growth. Our net profit margin decreased from 27.3% in 2020 to 17.7% in 2021, primarily due to the decrease of RMB38.7 million in research and other grants related to income awarded to us in 2021. Our net profit margin slightly decreased to 15.7% in 2022, primarily due to the outsourcing of antibody intermediate manufacturing. Our net profit margin decreased from 29.8% in the six months ended June 30, 2022 to 17.8% in the six months ended June 30, 2023, primarily due to the increase in our indirect production cost and overheads incurred for the outsourcing of antibody intermediate manufacturing.

Adjusted Profit for the Period (Non-IFRS Measure)

We recorded adjusted net profit (non-IFRS measure) of RMB32.8 million, RMB77.1 million, RMB194.4 million, RMB108.9 million and RMB216.4 million in 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, respectively, and adjusted net profit margin (non-IFRS measure) of 34.0%, 24.8%, 19.6%, 33.0% and 21.8% in the same periods, respectively. The fluctuation in our adjusted net profit (non-IFRS measure) and adjusted net profit margin (non-IFRS measure) were generally consistent with that of our net profit and net profit margin, respectively. We had an accumulated loss of RMB9.0 million at the beginning of 2020, which was primarily attributable to the fixed cost incurred prior to 2020 as we ramped up our operations and production capacity. In particular, we incurred significant cost as we constructed our production facilities, such as our DP3 facility, and commenced GMP manufacturing since August 2019. As we improved the utilization rate of our production facilities, expanded our service capabilities, and continued to grow our business by attracting more customers and introducing more projects, we were able to significantly improve our profitability.

Other Comprehensive Income/(Expense)

Our other comprehensive income primarily consisted of fair value gain or loss on cash flow hedges, net of income tax, representing gain or loss in relation to our foreign exchange forward contracts, and exchange gain arising from translation of foreign operations. We recorded total other comprehensive income of RMB1.7 million, RMB0.5 million, and RMB5.8 million in 2020, 2021 and the six months ended June 30, 2023, respectively. We recorded other comprehensive expense of RMB3.3 million and RMB4.0 million in 2022 and the six months ended June 30, 2022, respectively.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Six Months Ended June 30, 2023 Compared to Six Months Ended June 30, 2022

Revenue

Our revenue increased significantly from RMB329.4 million in the six months ended June 30, 2022 to RMB993.5 million in the six months ended June 30, 2023. Such increases were primarily due to the following:

(i) the growth in the number of our customers and projects, driven by the fast growth of the global ADC outsourcing service market and our established industry position as a leading CRDMO service provider for ADC and other bioconjugates; and

(ii) the advancement of our projects into later stages. Such movement can be evidenced by the fact that 15 of our existing projects had progressed into next stages in the six months ended June 30, 2023.

As our projects continue to progress and move into later stages and typically yield greater contract values, the average revenue contribution per project tends to increase, which further accelerated our revenue growth during the Track Record Period. The average revenue contribution of our largest projects (in terms of revenue contribution) that collectively contributed to 80% of our revenue in a given period increased from RMB4.5 million in 2020 to RMB8.9 million in 2021, and further to RMB15.0 million in 2022. The number of such largest projects increased from 17 in 2020 to 28 in 2021 and further to 53 in 2022. In the six months ended June 30, 2023, the largest 69 projects collectively contributed to 80% of our revenue for the period, and the average revenue contribution of the 69 projects amounted to RMB11.5 million, as compared to 63 projects and RMB4.2 million per project for the six months ended June 30, 2022.

Cost of Services

Our cost of services increased significantly from RMB225.5 million in the six months ended June 30, 2022 to RMB764.1 million in the six months ended June 30, 2023, primarily due to (i) an increase of RMB469.2 million in indirect production cost and overheads as a result of the increase in the outsourcing of antibody intermediate manufacturing, (ii) an increase of RMB43.7 million in direct labor cost, as a result of the increases in the headcount of and our average compensation level for employees in our laboratories and manufacturing facilities, and (iii) an increase of RMB19.5 million in cost of raw materials, as a result of the increase in our material procurement driven by our business growth.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased significantly from RMB104.0 million in the six months ended June 30, 2022 to RMB229.4 million in the six months ended June 30, 2023. Our gross profit margin decreased from 31.6% in the six months ended June 30, 2022 to 23.1% in the six months ended June 30, 2023. During the six months ended June 30, 2023, our customer demands continued to increase and more projects progressed into post-IND clinical stage, which resulted in increasing demands for antibody intermediate manufacturing services. As we did not have manufacturing facility for antibody intermediates, after we started to operate as a separate entity in the second half of 2021, we have outsourced certain antibody intermediate manufacturing to the Remaining WXB Group and recorded such outsourcing expenses as indirect production costs in our cost of services. Prior to that, we operated within the WXB Group's BCD business unit and were principally involved in the provision of bioconjugation services only in 2020 and 2021. After our operating as a separate entity from the WXB Group, we acquired the Payload & Linker Business from STA Changzhou, which enabled us to further expand our service

capabilities. After the acquisition, we have been primarily engaged in the provision of one-stop and fully integrated CRDMO services for bioconjugate drugs, which expand from our initial bioconjugation services. The expanded service scope led to a rise in labor cost and other production costs and overheads in connection with the provision of the integrated CRDMO services. The increased outsourcing of antibody intermediate manufacturing and the expansion in service scope to provide integrated CRDMO services resulted in an increase in direct labor cost and indirect production cost and overheads and therefore a negative impact on our gross profit margin. The decrease in the gross profit margin was partially offset by the continual increase in our operating leverage from greater economies of scale as we continue to ramp up our operations.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 40.2% from RMB4.2 million in the six months ended June 30, 2022 to RMB5.8 million in the six months ended June 30, 2023, primarily representing an increase of RMB1.5 million in labor cost for our selling and marketing personnel, as a result of the increase in the headcount of our selling and marketing personnel.

Administrative Expenses

Our administrative expenses increased significantly from RMB15.2 million in the six months ended June 30, 2022 to RMB42.7 million in the six months ended June 30, 2023, primarily due to (i) an increase of RMB22.0 million in labor cost, as a result of the increases in the headcount of and average compensation level for our administrative personnel and management, and (ii) an increase of RMB2.3 million in expenses incurred in connection with our provision of rental and related services.

[**REDACTED**] ***Expenses***

Our [**REDACTED**] expenses increased from nil in the six months ended June 30, 2022 to RMB7.4 million in the six months ended June 30, 2023, primarily due to costs and expenses incurred in connection with the [**REDACTED**].

Research and Development Expenses

Our research and development expenses increased significantly from RMB11.1 million in the six months ended June 30, 2022 to RMB29.7 million in the six months ended June 30, 2023, primarily due to (i) an increase of RMB9.6 million in cost of materials, as a result of the increase in material procurement for our R&D activities, driven by our business growth, and (ii) an increase of RMB7.6 million in labor cost.

Finance Costs

Our finance costs decreased by 63.8% from RMB1.6 million in the six months ended June 30, 2022 to RMB0.6 million in the six months ended June 30, 2023, primarily due to the repayment of our intercompany borrowings.

Other Income

Our other income increased significantly from RMB18.8 million in the six months ended June 30, 2022 to RMB39.6 million in the six months ended June 30, 2023, primarily due to (i) an increase of RMB16.0 million in research and other grants related to income, as we received from local authorities of Wuxi City in relation to our expanded operating scale of RMB28.5 million in the six months ended June 30, 2023 pursuant to local government initiative to support the business development of key industries, and (ii) an increase of RMB2.9 million in interest income from banks, primarily attributable to the increase in bank deposits due to our revenue growth.

Other Gains and Losses

Our other gains decreased by 82.6% from RMB25.7 million in the six months ended June 30, 2022 to RMB4.5 million in the six months ended June 30, 2023, primarily due to our net foreign exchange loss of RMB1.4 million in the six months ended June 30, 2023, as compared to our net foreign exchange gain of RMB25.5 million in the six months ended June 30, 2022, primarily due to fluctuations in the exchange rate between U.S. dollar and Renminbi in the six months ended June 30, 2023 as we settled with overseas customers in U.S. dollars, partially offset by an increase on the fair value gain on wealth management products of RMB5.5 million.

Impairment Losses (Recognized)/Reversed, under ECL Model, Net of Reversal

Our impairment losses reversed, under ECL model, net of reversal, increased significantly from RMB3.0 million in the six months ended June 30, 2022 to RMB24.4 million in the six months ended June 30, 2023, primarily due to the subsequent repayment of trade receivables by certain customers.

Income Tax Expense

Our income tax expense increased by 62.6% from RMB21.1 million in the six months ended June 30, 2022 to RMB34.4 million in the six months ended June 30, 2023, generally in line with our revenue growth.

Profit for the Period

As a result of the above, our net profit increased by 80.3% from RMB98.3 million in the six months ended June 30, 2022 to RMB177.2 million in the six months ended June 30, 2023. Our net profit margin decreased from 29.8% in the six months ended June 30, 2022 to 17.8% in the six months ended June 30, 2023.

Year Ended December 31, 2022 Compared to Year Ended December 31, 2021

Revenue

Our revenue increased significantly from RMB311.1 million in 2021 to RMB990.4 million in 2022. Such increases were primarily due to the following:

(i) the growth in the number of customers and projects, driven by the fast growth of the global ADC outsourcing service market and our further integrated service capabilities after acquiring Payload & Linker Business. We have further established our leading industry position by increasing our global market share by revenue from 4.6% in 2021 to 9.8% in 2022, while the global ADC outsourcing services market grew by over 30% in value from US$1.1 billion in 2021 to US$1.5 billion in 2022. The number of customers served by us increased from 115 in 2021 to 167 in 2022, and the number of our ongoing integrated projects increased from 60 as of December 31, 2021 to 94 as of December 31, 2022; and

(ii) the increase in the average revenue contribution per project with more projects advancing to later stages. In 2022, the largest 53 projects (in terms of revenue contribution) collectively contributed to 80% of our revenue for the period, and the average revenue contribution of the largest 53 projects amounted to RMB15.0 million, as compared to 28 projects and RMB8.9 million per project for 2021. See "— Six Months Ended June 30, 2023 Compared to Six Months Ended June 30, 2022."

Cost of Services

Our cost of services increased significantly from RMB197.6 million in 2021 to RMB729.3 million in 2022, primarily due to (i) an increase of RMB417.7 million in indirect production cost and overheads as a result of the increase in the outsourcing of antibody intermediate manufacturing, (ii) an increase of RMB68.8 million in direct labor cost, as a result of the increases in the headcount of and the average compensation level for employees in our laboratories and manufacturing facilities, and (iii) an increase of RMB37.2 million in cost of raw materials, as a result of the increase in our material procurement, in line with our business growth.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased significantly from RMB113.5 million in 2021 to RMB261.1 million in 2022. Our gross profit margin decreased from 36.5% in 2021 to 26.4% in 2022. During 2022, our customer demands continued to increase and more projects progressed into post-IND clinical stage, which resulted in increasing demands for antibody intermediate manufacturing services. As we started to contract with end customers directly and provided integrated CRDMO services upon the establishment of the joint venture in late 2021, the amounts of the outsourcing of antibody intermediate manufacturing services increased given we did not have manufacturing facility for antibody intermediates, and after we started to operate as a separate entity in the second half of 2021, we have outsourced certain antibody intermediate manufacturing to the Remaining WXB Group and recorded such outsourcing expenses as indirect production costs in our cost of services. Prior to that, we operated within the WXB Group's BCD business unit and were principally involved in the provision of bioconjugation services only in 2020 and 2021. After our operating as a separate entity from the WXB Group, we acquired the Payload & Linker Business from STA Changzhou, which enabled us to further expand our service capabilities. After the acquisition, we have been primarily engaged in the provision of one-stop and fully integrated CRDMO services for bioconjugate drugs, which expand from our initial bioconjugation services. The expanded service scope led to a rise in labor cost and other production costs and overheads in connection with the provision of the integrated CRDMO services. The increased outsourcing of antibody intermediate manufacturing and the expansion in service scope to provide integrated CRDMO services resulted in an increase in direct labor cost and indirect production cost and overheads and therefore a negative impact on our gross profit margin.

Selling and Marketing Expenses

Our selling and marketing expenses increased significantly from RMB2.0 million in 2021 to RMB8.8 million in 2022, primarily due to (i) an increase of RMB4.6 million from RMB1.6 million to RMB 6.2 million in depreciation and amortization, representing the amortization of customer relationship asset acquired in relation to our acquisition of the Payload & Linker Business, and (ii) an increase in labor cost.

Administrative Expenses

Our administrative expenses increased by 76.6% from RMB27.9 million in 2021 to RMB49.2 million in 2022, primarily due to (i) an increase of RMB17.9 million from RMB12.2 million to RMB30.1 million in labor cost, as a result of the increases in the headcount of and the average compensation level for our administrative personnel, and (ii) an increase of RMB3.4 million from RMB1.0 million to RMB4.5 million in logistics and accommodation expenses, which was primarily due to the increase in the number of administrative employees.

Research and Development Expenses

Our research and development expenses increased significantly from RMB13.8 million in 2021 to RMB33.8 million in 2022, primarily due to (i) an increase of RMB10.9 million from RMB3.9 million to RMB14.8 million in cost of materials as a result of the increase in material procurement for our R&D activities, driven by our business growth, and (ii) an increase of RMB8.3 million from RMB8.5 million to RMB16.8 million in labor cost as a result of the increases in the headcount of and the average compensation level for our R&D personnel.

Finance Costs

Our finance costs increased significantly from RMB0.5 million in 2021 to RMB2.9 million in 2022, primarily due to an increase of RMB2.2 million in interest expense arising from intercompany borrowings from the Remaining WXB Group to us.

Other Income

Our other income increased significantly from RMB9.0 million in 2021 to RMB26.2 million in 2022, primarily due to (i) an increase of RMB14.9 million in research and other grants related to income, as we received award from local authorities of Wuxi City in relation to our expanded operating scale of RMB15.8 million in 2022 pursuant to local government initiative to support the business development of key industries, and (ii) an increase of RMB4.6 million in interest income from banks, as a result of an increase in our demand deposits in relation to the capital injection by our shareholders.

Other Gains and Losses

We recorded other gains of RMB46.7 million in 2022, as compared to other losses of RMB0.9 million in 2021, primarily due to our net foreign exchange gain of RMB46.3 million in 2022, as a result of the depreciation of the Renminbi against the U.S. dollar in 2022.

Impairment Losses (Recognized)/Reversed, under ECL Model, Net of Reversal

Our impairment losses recognized, under ECL loss model, net of reversal, increased significantly from RMB10.6 million in 2021 to RMB43.4 million in 2022, generally consistent with our business growth.

Income Tax Expense

Our income tax expense increased significantly from RMB11.9 million in 2021 to RMB40.1 million in 2022, primarily due to the increase in our taxable income, generally in line with our revenue growth.

Profit for the Year

As a result of the above, our net profit increased significantly from RMB54.9 million in 2021 to RMB155.7 million in 2022. Our net profit margin decreased from 17.7% in 2021 to 15.7% in 2022.

Year Ended December 31, 2021 Compared to Year Ended December 31, 2020

Revenue

Our revenue increased significantly from RMB96.4 million in 2020 to RMB311.1 million in 2021 primarily due to the increase in customer demand for our CRDMO services as shown by an increase of customers served by us from 49 in 2020 to 115 in 2021, driven by (i) our continued expansion of service capabilities and ability to provide integrated CRDMO services, including the acquisition of the Payload & Linker Business, (ii) the expansion of our geographical footprint, as evidenced by the increase in our revenue generated from ultimate customers in North America and our tapping into the European market, and (iii) the increase in our global market share from 1.8% to 4.6%, combined with the fast growth of the global ADC outsourcing service market, which grew by over 30% in value from US$0.8 billion in 2020 to US$1.1 billion in 2021. The increase in our average revenue contribution per project also further accelerated our revenue growth. In 2021, the largest 28 projects (in terms of revenue contribution) collectively contributed to 80% of our revenue for the period, and the average revenue contribution of the largest 28 projects amounted to RMB8.9 million, as compared to 17 projects and RMB4.5 million per project for 2020. See "— Six Months Ended June 30, 2023 Compared to Six Months Ended June 30, 2022."

Cost of Services

Our cost of services increased significantly from RMB88.3 million in 2020 to RMB197.6 million in 2021, primarily due to (i) an increase of RMB37.0 million in indirect production cost and overheads as a result of the increase in the outsourcing of antibody intermediate manufacturing, (ii) an increase of RMB36.8 million in direct labor cost, as a result of the increases in the headcount of and the average compensation level for the employees in our laboratories and manufacturing facilities, and (iii) an increase of RMB34.5 million in cost of raw materials, as a result of the increase in our material procurement, in line with our business growth.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased significantly from RMB8.1 million in 2020 to RMB113.5 million in 2021. Our gross profit margin increased from 8.4% in 2020 to 36.5% in 2021, primarily due to the ramp-up of production in our manufacturing facilities and the increase in service efficiency which resulted in greater economies of scale.

Selling and Marketing Expenses

Our selling and marketing expenses increased significantly from RMB0.5 million in 2020 to RMB2.0 million in 2021, representing the amortization of customer relationship asset acquired as a result of our acquisition of the Payload & Linker Business.

Administrative Expenses

Our administrative expenses increased significantly from RMB9.6 million in 2020 to RMB27.9 million in 2021, primarily due to (i) an increase of RMB7.8 million from RMB4.4 million to RMB12.2 million in labor cost, as a result of the increases in the headcount of and the average compensation level for our administrative personnel, (ii) an increase of RMB6.5 million from RMB0.9 million to RMB7.4 million in expenses incurred in connection with our provision of rental and related services, increase maintenance and utilities expenses in connection with the rental services, and (iii) an increase of RMB1.7 million in professional service fees as a result of the increase in our demand for professional audit and legal services.

Research and Development Expenses

Our research and development expenses increased significantly from RMB4.1 million in 2020 to RMB13.8 million in 2021, primarily due to (i) an increase of RMB5.8 million from RMB2.7 million to RMB8.5 million in labor cost, as a result of the increases in the headcount of and the average compensation level for our R&D personnel, and (ii) an increase of RMB2.5 million from RMB1.4 million to RMB3.9 million in cost of materials as a result of the increase in material procurement for our R&D activities, driven by our business growth.

Finance Costs

Our finance costs increased significantly from nil in 2020 to RMB0.5 million in 2021, primarily representing interest expense on intercompany borrowings from Remaining WXB Group to us.

Other Income

Our other income decreased by 78.4% from RMB41.4 million in 2020 to RMB9.0 million in 2021, primarily due to the decrease of RMB38.7 million in research and other grants related to income, as we received a one-off operating subsidy provided by local authorities of RMB39.6 million in 2020.

Other Gains and Losses

Our other losses decreased by 68.5% from RMB2.7 million in 2020 to RMB0.9 million in 2021, primarily due to a decrease of RMB1.7 million in net foreign exchange loss, as a result of the appreciation of the Renminbi against the U.S. dollar since June 2020.

Impairment Losses (Recognized)/Reversed, under ECL, Net of Reversal

Our impairment losses recognized, under ECL, net of reversal, increased significantly from RMB0.3 million in 2020 to RMB10.6 million in 2021, primarily due to the increase in credit loss of our trade receivables as a result of impaired recoverability of trade receivables in relation to certain small-sized biotechnology companies.

Income Tax Expense

Our income tax expense increased by 96.5% from RMB6.1 million in 2020 to RMB11.9 million in 2021, primarily due to the increase in our taxable income, generally in line with our revenue growth.

Profit for the Year

As a result of the above, our net profit increased significantly from RMB26.3 million in 2020 to RMB54.9 million in 2021. Our net profit margin decreased from 27.3% in 2020 to 17.7% in 2021.

DISCUSSION OF MAJOR BALANCE SHEET ITEMS

The following table sets forth details of our summary combined statements of financial position as of the dates indicated.

	As of December 31,			As of June 30,
	2020	2021	2022	2023
	(RMB in thousands)			
Non-current assets				
Property, plant and equipment	303,205	335,684	798,575	987,555
Investment property	—	13,215	12,812	12,610
Right-of-use asset	—	2,223	5,280	4,529
Goodwill	—	215,193	215,193	215,193
Intangible assets	4,808	60,990	50,648	57,047
Deferred tax assets	387	1,995	11,540	8,557
Other long-term deposits and prepayments	150	150	—	368
Total non-current assets	308,550	629,450	1,094,048	1,285,859
Current assets				
Inventories	7,678	23,786	62,934	47,403
Trade and other receivables	44,060	150,236	505,604	757,245
Contract assets	1,028	10,717	17,309	24,665
Contract costs	13,875	36,690	80,713	63,134
Tax recoverable	2,663	—	—	—
Derivative financial assets	2,224	2,549	799	—
Financial assets at FVTPL	—	—	400,000	—
Bank balances and cash	28,390	26,325	334,972	561,644
Total current assets	99,918	250,303	1,402,331	1,454,091
Total assets	408,468	879,753	2,496,379	2,739,950

	As of December 31,			As of June 30,
	2020	2021	2022	2023
	(RMB in thousands)			
Current liabilities				
Trade and other payables	32,080	818,653	773,313	773,149
Loans from related parties	—	22,343	71,144	—
Contract liabilities	151	10,020	151,450	232,418
Income tax payable	—	5,225	11,506	30,457
Lease liabilities	—	2,249	4,413	2,828
Derivative financial liabilities	—	—	2,147	—
Total current liabilities	32,231	858,490	1,013,973	1,038,852
Net current assets/(liabilities)	67,687	(608,187)	388,358	415,239
Total assets less current liabilities	376,237	21,263	1,482,406	1,701,098
Non-current liabilities				
Deferred tax liabilities	556	382	—	—
Lease liabilities	—	—	1,627	2,477
Total non-current liabilities	556	382	1,627	2,477
Total liabilities	32,787	858,872	1,015,600	1,041,329
Net assets	375,681	20,881	1,480,779	1,698,621
Capital and reserve				
Share capital	—	—	319	319
Reserves	375,681	20,881	1,480,460	1,698,302
	375,681	20,881	1,480,779	1,698,621

Property, Plant and Equipment

Our property, plant and equipment primarily consisted of machinery, furniture, fixtures and equipment, land and buildings, leasehold improvements and construction in progress. We had property, plant and equipment of RMB303.2 million, RMB335.7 million, RMB798.6 million and RMB987.6 million as of December 31, 2020, 2021 and 2022 and June 30, 2023, respectively. The following table sets forth the components of our property, plant and equipment as of the dates indicated.

	As of December 31,			As of June 30,
	2020	2021	2022	2023
	(RMB in thousands)			
Machinery	62,540	75,679	139,697	175,595
Furniture, fixtures and equipment	5,459	6,552	18,339	22,039
Land and buildings	112,092	95,583	92,667	192,684
Leasehold improvements	89,246	89,977	119,672	179,070
Construction in progress	33,868	67,893	428,200	418,167
Total	303,205	335,684	798,575	987,555

Our property, plant and equipment increased by 10.7% from RMB303.2 million as of December 31, 2020 to RMB335.7 million as of December 31, 2021, primarily due to (i) an increase of RMB34.0 million in construction in progress, (ii) an increase of RMB13.1 million in machinery as a result of the procurement of manufacturing equipment and process equipment, and (iii) an increase of RMB1.1 million in furniture, fixtures and equipment, all in connection with the expansion of our Wuxi site.

Our property, plant and equipment increased significantly from RMB335.7 million as of December 31, 2021 to RMB798.6 million as of December 31, 2022, primarily due to (i) an increase of RMB360.3 million in construction in progress in relation to the expansion of our Wuxi site, (ii) an increase of RMB64.0 million in machinery as a result of the procurement of equipment for quality control and R&D laboratories on Wuxi site and the reclassification of relevant items from construction in progress, (iii) an increase of RMB29.7 million in leasehold improvements in relation to renovations on leased properties on Wuxi site, and (iv) an increase of RMB11.8 million in furniture, fixtures and equipment as a result of the addition of utility facilities as a result of the expansion of our Wuxi site and the reclassification of relevant items from construction in progress, partially offset by a decrease of RMB2.9 million in land and buildings as a result of depreciation.

Our property, plant and equipment increased by 23.7% from RMB798.6 million as of December 31, 2022 to RMB987.6 million as of June 30, 2023, primarily due to (i) an increase of RMB100.0 million in land and buildings, as a result of the expansion of our Wuxi site and the addition of our properties in Shanghai, (ii) an increase of RMB59.4 million in leasehold improvements, and (iii) an increase of RMB35.9 million in machinery, both in connection with the expansion of our Wuxi site, partially offset by a decrease of RMB10.0 million in construction in progress, as a result of the reclassification of construction in progress into other categories of property, plant and equipment, after completion of the relevant construction projects.

Investment Property

We recorded investment property of nil, RMB13.2 million, RMB12.8 million and RMB12.6 million as of December 31, 2020, 2021 and 2022 and June 30, 2023. We leased out an assembly center under operating leases to the Remaining WXB Group, which had an initial term of four years and will expire in 2025.

Goodwill

We recorded goodwill of nil, RMB215.2 million, RMB215.2 million and RMB215.2 million as of December 31, 2020, 2021 and 2022 and June 30, 2023, in relation to our acquisition of Payload & Linker Business in 2021.

For the purposes of impairment testing, the acquired Payload & Linker Business is allocated as an individual cash-generating unit (the "**Payload & Linker Unit**"). The recoverable amount of the Payload & Linker Unit has been determined based on a value in use calculation, which uses cash flow projections based on financial budgets approved by our management covering a five-year period. The following table sets out the key assumptions for the value in use calculation of the Payload & Linker Unit.

	As at December 31,	
	2021	2022
	RMB'000	RMB'000
Pre-tax discount rate(1)	16%	17%
Expected annual growth rate in 5 years(2)	10.0%-30.0%	5.0%-30.0%

(1) Pre-tax discount rate applied reflects the current market assessments of the time value of money and the risks specific to the Payload and Linker Unit.

(2) The estimation of expected annual growth rate is based on the revenue backlog and management's expectation for the market development.

The cash flows beyond the five-year period are extrapolated using a growth rate based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Our performed sensitivity test on the key assumptions by increasing 1% of pre-tax discount rate or decreasing of 5% expected annual growth rate, with all other variables held constant. The impact on the amount by which the goodwill's recoverable amount above its carrying amount (headroom) are as below:

	As at December 31,	
	2021	2022
	RMB'000	RMB'000
Headroom	N/A(1)	83,068
Impact by increasing pre-tax discount rate of 1%	(26,373)	(32,019)
Impact by decreasing annual growth rate of 5%	(45,513)	(47,174)

(1) As the acquisition date of Payload & Linker Business was near the end of financial year 2021, our management considers recoverable amount approximates the carrying amount as of December 31, 2021.

In accordance with our accounting policies, goodwill is tested for impairment on an annual basis at each year end. As of June 30, 2023, the management was not aware of any significant adverse changes on the Payload & Linker Unit, which indicates that the carrying amount of the Payload & Linker Unit exceeds the recoverable amount. Consequently, no interim impairment assessment as of June 30, 2023 was performed.

Based on the above assessment, our management determines that there is no impairment on the Payload & Linker Unit during and at the end of the reporting period. Our management believes that any reasonably possible change in any of these assumptions would not result in impairment.

Intangible Assets

Our intangible assets primarily consisted of technology and customer relationship. Our intangible assets increased significantly from RMB4.8 million as of December 31, 2020 to RMB61.0 million as of December 31, 2021, primarily due to an increase of RMB56.9 million in customer relationship asset, as a result of our acquisition of Payload & Linker Business, partially offset by a decrease of RMB0.7 million in technology as a result of amortization. Our intangible assets then decreased by 17.0% to RMB50.6 million as of December 31, 2022, primarily due to (i) a decrease of RMB6.2 million in customer relationship asset and (ii) a decrease of RMB4.1 million in technology, both as a result of amortization. Our intangible assets then increased by 12.6% to RMB57.0 million as of June 30, 2023, primarily representing addition of certain license-in technologies.

Inventories

Our inventories consisted primarily of raw materials, pharmaceutical intermediates and consumables. Our inventories level increased from RMB7.7 million as of December 31, 2020 to RMB23.8 million as of December 31, 2021, and to RMB62.9 million as of December 31, 2022, generally in line with our business growth. Our inventories decreased to RMB47.4 million as of June 30, 2023, primarily representing inventory consumed for our manufacturing activities and our inventory optimization strategy to lower our inventory level to approximately two to three months' supply.

Our inventory turnover days was 29.1 days, 21.7 days and 13.1 days in 2021, 2022 and the six months ended June 30, 2023. During the Track Record Period, our inventory turnover days generally decreased as a result of the optimization of our procurement strategy and the resulting higher inventory consumption rate. The following table sets forth the number of our inventory turnover days for the periods indicated.

	Year ended December 31,			Six months ended June 30,
	2020	2021	2022	2023
Inventory turnover days[(1)]	N/A	29.1	21.7	13.1

(1) Inventory turnover days were calculated based on the average of opening and closing inventory balance for the relevant period (the opening balance in 2020 being unavailable), divided by the cost of services for the same period, and multiplied by the number of days in that period.

As of September 30, 2023, approximately RMB17.0 million, or 36.0%, of our inventories as of June 30, 2023 had been consumed. Such inventory consumption rate was attributable to our inventory procurement practices, and we typically procure raw materials based on our project status and business projections for the forthcoming year, so as to save procurement cost and improve operating efficiency. The following table sets forth the aging analysis of our inventories as of the dates indicated.

	Year ended December 31,			Six months ended June 30,
	2020	2021	2022	2023
	(RMB in thousands)			
Within three months	1,561	11,161	30,191	9,296
Over three months but within one year	3,942	11,298	26,675	28,932
Over one year	2,175	1,327	6,068	9,175
Total	7,678	23,786	62,934	47,403

Our Directors concluded that we do not have any material recoverability issue for our inventories and the write-down of inventories was adequate and reasonable for the following reasons. During the Track Record Period, we had a relatively quick inventory turnover, as reflected by the relatively short inventory turnover days of 29.1 days, 21.7 days and 13.1 days in 2021, 2022 and the six months ended June 30, 2023. We also have in place dedicated personnel who continually monitor aging conditions of our inventories with a view to identify obsolete and slow-moving inventories so that we can promptly take appropriate remedial measures accordingly. Our management also reviews the recoverability of our inventories as of the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. During the Track Record Period, we recorded a relatively insignificant amount of write-down of inventories, net of reversal, of nil, RMB0.4 million, RMB0.1 million and RMB0.3 million in 2020, 2021, 2022 and the six months ended June 30, 2023, respectively. In light of the foregoing, we do not expect to experience any material issue in recoverability of inventories in the foreseeable future.

Trade and Other Receivables

The following table sets forth a breakdown of our trade and other receivables as of the dates indicated.

	As of December 31,			As of June 30,
	2020	2021	2022	2023
	(RMB in thousands)			
Trade receivables from contracts with customers, net of loss allowance				
— Related parties	18,347	63,209	134,666	88,748
Less: allowance for credit losses	(261)	(6,405)	(13,520)	(3,349)
— Third parties	5,824	36,827	370,495	612,038
Less: allowance for credit losses	(20)	(4,438)	(38,370)	(24,749)
	23,890	89,193	453,271	672,688
Receivables for purchase of raw materials on behalf of customers	363	1,096	5,246	—
Less: allowance for credit losses	(8)	(2)	(2,175)	—
	355	1,094	3,071	—
Advance to suppliers	1,460	413	937	815
Other receivables				
— Related parties	38	43,210	2,312	4,753
— Third parties	2,649	860	581	641
Deferred issue cost	—	—	—	1,054
Prepayments	21	107	214	851
Value-added tax recoverable	15,647	15,359	45,218	76,443
Total	44,060	150,236	505,604	757,245

Trade receivables from related parties primarily comprised outstanding amounts receivable from the Remaining WXB Group. Trade receivables from third parties primarily represented the outstanding amounts receivable from other customers for our CRDMO services. Apart from trade receivables, we also had (i) receivables for purchase of raw materials on behalf of customers, (ii) advances to suppliers, (iii) other receivables, representing deposits and income tax paid on behalf of our employees, (iv) deferred issue cost, (v) prepayments, and (vi) value-added tax recoverable.

Our trade and other receivables increased significantly from RMB44.1 million as of December 31, 2020 to RMB150.2 million as of December 31, 2021, primarily due to (i) an increase of RMB65.3 million in trade receivables, net of loss allowances, generally in line with our business growth and (ii) an increase of RMB41.4 million in other receivables primarily attributable to a one-time disposal of certain facilities to the Remaining WXB Group.

Our trade and other receivables increased significantly from RMB150.2 million as of December 31, 2021 to RMB505.6 million as of December 31, 2022, primarily due to (i) an increase of RMB364.1 million in trade receivables, net of loss allowances, generally in line with our business growth and (ii) an increase of RMB29.9 million in value-added tax recoverable as a result of the increase in our input VAT in line with our business growth, partially offset by a decrease of RMB41.2 million in other receivables.

Our trade and other receivables increased by 49.8% from RMB505.6 million as of December 31, 2022 to RMB757.2 million as of June 30, 2023, primarily due to an increase of RMB219.4 million in trade receivables, primarily attributable to third parties, in line with our business growth.

The following table sets forth an aging analysis of our trade receivables, based on the invoice date and net of loss allowance, as of the dates indicated.

	As of December 31,			As of June 30,
	2020	2021	2022	2023
	(RMB in thousands)			
Not past due	1,221	81,187	273,897	401,805
Overdue:				
Within 90 days	18,329	5,422	141,332	165,468
91 days to one year	4,340	2,584	36,301	98,196
Over one year	—	—	1,741	7,219
Total	23,890	89,193	453,271	672,688

Our trade receivables turnover days was 66.3 days, 100.0 days and 102.6 days in 2021, 2022 and the six months ended June 30, 2023, respectively. The increases in our trade receivables turnover days in 2022 and the six months ended June 30, 2023 were primarily because (1) we gradually phased out settlements through the Remaining WXB Group, which would occasionally adjust settlement pace according to our capital and liquidity needs, and (2) we were increasingly dealing with third party customers directly, who typically have a longer settlement cycle for trade receivables. The following table sets forth the number of our trade receivables turnover days for the periods indicated.

	Year ended December 31,			Six months ended June 30,
	2020	2021	2022	2023
Trade receivables turnover days[(1)]	N/A	66.3	100.0	102.6

(1) Trade receivables turnover days were calculated based on the average of opening and closing balance of trade receivables (the opening balance in 2020 being unavailable), net of allowance for credit loss, for the relevant period, divided by the revenue for the same period, and multiplied by the number of days in that period.

We allow customers a credit period ranging from 10 to 90 days. Our Directors concluded that we do not have any material recoverability issue for our trade receivables and the allowance for expected credit losses was adequate and reasonable for the following reasons.

- We apply the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime ECL provision for all trade receivables. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition. Except for the customers which are assessed individually, we determine the ECL on these items by using a provision matrix and categorize our customers into three types: low credit risk customers, normal credit risk customers and high credit risk customers, based on the financial quality of debtors and their historical credit loss experience according to the past due status adjusted, as appropriate, to reflect current conditions and estimates of future economic conditions.

- The percentage of trade receivables not past due and due within 90 days, which is within the typical range of our credit period granted to customers, accounted for 81.8%, 97.1%, 91.6% and 84.3% of our total trade receivables as of December 31, 2020, 2021 and 2022 and June 30, 2023, respectively. As of September 30, 2023, approximately RMB530.4 million, or 75.7%, of our trade receivables as of June 30, 2023 had been settled.

- We maintain strict control over our outstanding trade receivables and oversee our trade receivables to minimize credit risk. Our senior management regularly review the overdue balances to ensure relevant information about specific debtors is updated.

As of September 30, 2023, approximately RMB535.8 million, or 75.9%, of our trade and other receivables as of June 30, 2023 had been settled.

Contract Assets

Our contract assets represented our accrued revenue. We recorded contract assets of RMB1.0 million, RMB10.7 million, RMB17.3 million and RMB24.7 million as of December 31, 2020, 2021 and 2022 and June 30, 2023, respectively. We recorded allowance for credit losses in relation to our contract assets of nil, RMB2,000, RMB0.2 million and RMB1.7 million in 2020, 2021, 2022 and the six months ended June 30, 2023, respectively.

Our contract assets increased significantly from RMB1.0 million as of December 31, 2020 to RMB10.7 million as of December 31, 2021, and further to RMB17.3 million as of December 31, 2022 and RMB24.7 million as of June 30, 2023, generally in line with our business growth. As of September 30, 2023, approximately RMB19.2 million, or 72.8%, of our contract assets as of June 30, 2023 had been billed and accounted as trade receivables.

Contract Cost

Our contract cost represented recoverable costs incurred for fulfilling contracts, revenue of which had not been recognized, and we recorded contract cost of RMB13.9 million, RMB36.7 million, RMB80.7 million and RMB63.1 million as of December 31, 2020, 2021 and 2022 and June 30, 2023, respectively. Our contract cost increased significantly from RMB13.9 million as of December 31, 2020 to RMB36.7

million as of December 31, 2021, and further to RMB80.7 million as of December 31, 2022, generally in line with our business growth. Our contract cost decreased to RMB63.1 million as of June 30, 2023, primarily due to the reclassification of our contract cost to cost of services after project delivery.

Financial Assets at Fair Value through Profit or Loss

Our financial assets measured at fair value through profit or loss ("**FVTPL**") primarily consisted of our investment in wealth management products. We had financial assets at FVTPL of RMB400.0 million as of December 31, 2022, representing our wealth management products with a bank with a maturity term of within 12 months. The fair value of our financial assets at FVTPL is measured using level 2 input. For the wealth management products, returns are determined with reference to the performance of the underlying instruments in the currency market. The average return rate of our wealth management products is 3.7% and 9.4% per annum for the year ended December 31, 2022 and the six months ended June 30, 2023, respectively. We held nil financial assets at FVTPL as of December 31, 2020 and 2021 and June 30, 2023.

We believe we can make better use of our cash by making appropriate investments in wealth management products of low-to-medium risk, which generate income without interfering with our business operation or capital expenditures. Our investment decisions with respect to financial products are made on a case-by-case basis and after due and careful consideration of a number of factors, including, but not limited to, the market conditions, the economic developments, the anticipated investment conditions, the investment cost, the duration of the investment and the expected benefit and potential loss of the investment. We have established a set of internal measures which allow us to achieve reasonable returns on our investment while mitigating our exposure to high investment risks. Our finance department is responsible for the analysis and research of investment in wealth management products based on our cash positions. Investment decisions on wealth management products must be approved by our chief financial officer. Redemption of wealth management products prior to their maturity must be initiated by finance managers and approved by our chief financial officer. These policies and measures were formulated by our senior management, and the implementation of our investment policies and measures was supervised by our Board. We will comply with requirements under Chapter 14 of the Listing Rules and disclose the details of our investments and other notifiable transactions to the extent necessary and as appropriate after the [**REDACTED**].

Bank Balances and Cash

Our bank balances and cash remained stable at RMB28.4 million as of December 31, 2020 and RMB26.3 million as of December 31, 2021. Our bank balances and cash increased significantly to RMB335.0 million as of December 31, 2022, primarily due to our revenue growth in 2022 and capital injection from our Shareholders. Our bank balances and cash increased by 67.7% to RMB561.6 million as of June 30, 2023, primarily due to our revenue growth. During the Track Record Period, most of our bank balances were denominated in U.S. dollars. See "— Quantitative and Qualitative Disclosures about Market Risks — Currency Risk" for details.

Trade and Other Payables

The following table sets forth a breakdown of our trade and other payables as of the dates indicated.

	As of December 31,			As of June 30,
	2020	2021	2022	2023
	(RMB in thousands)			
Trade payables				
— Related parties	24	22,505	457,295	484,756
— Third parties	4,520	10,285	23,537	21,928
	4,544	32,790	480,832	506,684
Other payables and accrual				
— Related parties	1,692	41,267	109,153	131,672
— Third parties	3,333	17,131	25,060	20,780
	5,025	58,398	134,213	152,452
Payable for purchase of property, plant and equipment	14,273	25,543	116,870	79,934
Consideration payable to a related party for acquisition of Payload and Linker Business	—	280,000	—	—
Consideration payable to a related party for acquisition of XDC Wuxi	—	404,413	—	—
Consideration payable to a related party for acquisition of BCD business unit	—	—	15,587	5,710
Salary and bonus payables	7,824	11,253	24,589	19,137
Accrued [**REDACTED**] expenses	—	—	—	6,785
Accrued issue cost	—	—	—	950
Other taxes payable	414	6,256	1,222	1,497
Total	32,080	818,653	773,313	773,149

Trade payables to related parties comprised outstanding amounts payable to the Remaining WXB Group and the WXAT Group in relation to, among others, the development, manufacturing and testing services for antibody and payload-linkers, raw material procurement services and project management services that we procured from these related parties. Trade payables to third parties primarily represented the balances due to our suppliers for purchase of raw materials and consumables. Other payables and accrual to related parties mainly arose from administrative services provided by our related parties and rental expenses. Other payables and accruals to third parties represented payables arising from our construction in progress. For considerations payables to related parties during the Track Period, see "History, Reorganization and Corporate Structure — Major Acquisition and Transfers during the Track Record Period." Salary and bonus payables represented outstanding amounts payable to our employees as of the period end. Accrued [**REDACTED**] expenses and accrued issue cost represented outstanding amounts payable in connection with the [**REDACTED**]. Other taxes payable primarily represented payables in relation to VAT.

Our trade and other payables increased significantly from RMB32.1 million as of December 31, 2020 to RMB818.7 million as of December 31, 2021, primarily due to (i) consideration payable to a related party for the acquisition of XDC Wuxi from WuXi Biologics Investment of RMB404.4 million, and (ii) consideration payable to a related party for acquisition of business of RMB280.0 million in relation to our acquisition of Payload & Linker Business.

Our trade and other payables decreased by 5.5% from RMB818.7 million as of December 31, 2021 to RMB773.3 million as of December 31, 2022, primarily due to the payment settlement of RMB404.4 million in consideration payable to a related party for the acquisition of XDC Wuxi from WuXi Biologics Investment and of RMB280.0 million in consideration payable to a related party for acquisition of business in relation to our acquisition of Payload & Linker Business in 2021, partially offset by (i) an increase of RMB434.8 million in trade payables to related parties as a result of the increase in our demands for services provided by our related parties, driven by our business growth, (ii) an increase of RMB67.9 million in other payables and accruals to related parties, as a result of the increase in administrative services received from our related parties, and (iii) an increase of RMB91.3 million in payable for purchase of property, plant and equipment as a result of the expansion of our Wuxi site.

Our trade and other payables remained relatively stable at RMB773.1 million as of June 30, 2023.

The following table sets forth an aging analysis of our trade payables, based on the invoice dates, as of the dates indicated.

	As of December 31,			As of June 30,
	2020	2021	2022	2023
	(RMB in thousands)			
Within 90 days	3,439	30,838	432,756	500,563
91 days to one year	1,105	1,930	47,853	5,732
One to two years	—	22	223	360
Over two years	—	—	—	29
	4,544	32,790	480,832	506,684

Our trade payables turnover days increased from 34.5 days in 2021 to 128.5 days in 2022, primarily due to the significant increase in our trade payables as a result of the increase in antibody intermediate manufacturing outsourced to our related parties, with whom we typically enjoy a longer credit period. Our trade payable turnover days for the six months ended June 30, 2023 remained largely stable at 117.0 days. The credit period on trade payables is within 90 days. The following table sets forth the number of our trade payables turnover days for the periods indicated.

	Year ended December 31,			Six months ended June 30,
	2020	2021	2022	2023
Trade payables turnover days[(1)]	N/A	34.5	128.5	117.0

(1) Trade payables turnover days were calculated based on the average of opening and closing balance of trade payables for the relevant period (the opening balance in 2020 being unavailable), divided by the cost of services for the same period, multiplied by the number of days in that period.

As of September 30, 2023, approximately RMB493.3 million, or 97.4%, of our trade payables as of June 30, 2023 had been settled, and approximately RMB645.5 million, or 97.9%, of our trade and other payables as of June 30, 2023 had been settled.

Contract Liabilities

Our contract liabilities consisted primarily of deposits paid by customers. We typically charge an upfront deposit from customers before we commence work under the relevant contract. We reclassify contract liabilities into revenue, which is recognized over the course of the projects based on completion of relevant tasks. Our contract liabilities increased from RMB0.2 million as of December 31, 2020 to RMB10.0 million as of December 31, 2021, to RMB151.5 million as of December 31, 2022, and further to RMB232.4 million as of June 30, 2023, generally in line with the increase in the number of our projects initiated in the respective period. As of September 30, 2023, approximately RMB161.5 million, or 69.5%, of our contract liabilities as of June 30, 2023 had been recognized as revenue.

LIQUIDITY AND CAPITAL RESOURCES

Sources of Liquidity and Working Capital

Our primary use of cash is to fund our working capital requirements and payment for the purchase of plant and equipment and other recurring expenses. During the Track Record Period, we financed our capital expenditures and working capital requirements primarily through a combination of cash generated from our operating activities, loans and advances from related parties and capital contribution from Shareholders. Going forward, we believe that our liquidity requirements will be satisfied with a combination of cash generated from our operating activities and [**REDACTED**] from the [**REDACTED**] and other funds raised from the capital markets from time to time. As of December 31, 2020, 2021 and 2022 and June 30, 2023, we had bank balances and cash of RMB28.4 million, RMB26.3 million, RMB335.0 million and RMB561.6 million, respectively. Taking into account the financial resources available to us, our Directors are of the view that we have sufficient working capital to meet our present requirements and for the next 12 months from the date of this document.

During the Track Record Period and as of the Latest Practicable Date, we did not maintain any banking facilities, and we have decided to take out intercompany loans from the Remaining WXB Group and capital contribution from Shareholders to finance our operations. As of the Latest Practicable Date, all intercompany borrowings between us and the Remaining WXB Group had been settled in full. We opted for taking out loans from the Remaining WXB Group instead of banks or other independent third parties primarily because borrowing from third parties typically involves more lengthy review and administrative processes, which may cause delays to the implementation of our capital expenditure plans. Although we did not apply for any bank loans or lines of credit during the Track Record Period, we do not foresee any difficulties in obtaining bank loans or lines of credit at reasonable terms. Going forward, we intend to finance our operations primarily with a combination of cash generated from our operating activities and [**REDACTED**] from the [**REDACTED**] and other funds raised from the capital markets from time to time.

Cash Flows

The following table sets forth a summary of our cash flows for the periods indicated.

	Year ended December 31,			Six months ended June 30,
	2020	2021	2022	2023
	(RMB in thousands)			
Operating cash flows before movements in working capital	51,677	123,626	300,940	240,103
Changes in working capital	(21,845)	(58,847)	(5,991)	(67,851)
Cash generated from operations	29,832	64,779	294,949	172,252
Income taxes paid	(8,978)	(5,643)	(43,133)	(12,621)
Net cash from operating activities	20,854	59,136	251,816	159,631
Net cash (used in)/from investing activities	(52,424)	(51,587)	(1,279,543)	137,117
Interest paid	—	–	(325)	(149)
Net cash from/(used in) financing activities	69,116	22,343	1,328,213	(73,729)
Net increase/(decrease) in cash and cash equivalents	24,627	(2,065)	308,647	226,672
Cash and cash equivalents at beginning of the period	3,763	28,390	26,325	334,972
Cash and cash equivalents at end of the period	28,390	26,325	334,972	561,644

Net Cash Generated from Operating Activities

Net cash generated from operating activities was RMB159.6 million in the six months ended June 30, 2023, primarily due to our profit before tax of RMB211.6 million, minus income tax paid of RMB12.6 million, as adjusted by (i) certain non-cash and non-operating items, primarily including share-based compensation expense of RMB31.8 million, impairment losses, net of reversal, in relation to our trade and other receivables of RMB26.0 million, and depreciation of property, plant and equipment of RMB17.7 million; and (ii) changes in working capital that positively affected the cash flow from operating activities, primarily including an increase in contract liabilities of RMB81.0 million and a decrease in contract costs of RMB25.1 million; (iii) partially offset by changes in working capital that negatively affected the cash flow from operating activities, primarily including an increase in trade and other receivables of RMB224.6 million. We plan to improve our net operating cash flow position by continuing to maintain strict control over our outstanding trade receivable, monitor customer payment status and strengthen account collection efforts. In order to ensure steady operations and improve our net operating cash outflows position, we plan to take the following measures to improve working capital efficiency: (i) strengthening our service capabilities and implementing procurement decisions in accordance with market demands, (ii) engaging in frequent communication with major customers that have large outstanding trade receivables with us for timely account collection; and (iii) enhancing cooperation with suppliers to reduce the amount of prepayments required.

Net cash generated from operating activities was RMB251.8 million in 2022, primarily due to our profit before tax of RMB195.8 million, minus income tax paid of RMB43.1 million, as adjusted by (i) certain non-cash and non-operating items, primarily including impairment loss, net of reversal, of RMB43.4 million, share-based compensation expense of RMB38.6 million and depreciation of property, plant and equipment of RMB17.5 million; and (ii) changes in working capital that positively affected the cash flow from operating activities, primarily including an increase of trade and other payables of RMB539.0 million and increase in contract liabilities of RMB141.6 million; (iii) partially offset by changes in working capital that negatively affected the cash flow from operating activities, primarily including an increase in trade and other receivables of RMB592.2 million.

Net cash generated from operating activities was RMB59.1 million in 2021, primarily due to our profit before tax of RMB66.9 million, minus income tax paid of RMB5.6 million, as adjusted by (i) certain non-cash and non-operating items, primarily including share-based compensation expense of RMB22.2 million and depreciation of property, plant and equipment of RMB16.3 million; and (ii) changes in working capital that positively affected the cash flow from operating activities, primarily including an increase of trade and other payables of RMB94.9 million; (iii) partially offset by changes in working capital that negatively affected the cash flow from operating activities, primarily including an increase in trade and other receivables of RMB116.7 million.

Net cash generated from operating activities was RMB20.9 million in 2020, primarily due to our profit before tax of RMB32.4 million, minus income tax paid of RMB9.0 million, as adjusted by (i) certain non-cash and non-operating items, primarily including depreciation of property, plant and equipment of RMB13.0 million and share-based compensation expense of RMB6.5 million; and (ii) changes in working capital that positively affected the cash flow from operating activities, primarily including an increase in inventories of RMB4.1 million; (iii) partially offset by changes in working capital that negatively affected the cash flow from operating activities, primarily including an increase in trade and other receivables of RMB13.1 million and an increase in contract costs of RMB9.4 million.

Net Cash (Used in)/from Investing Activities

Net cash flows from investing activities was RMB137.1 million in the six months ended June 30, 2023, primarily due to withdrawal of financial assets at FVTPL of RMB1,469.6 million, partially offset by purchase of financial assets at FVTPL of RMB1,068.8 million.

Net cash flows used in investing activities was RMB1,279.5 million in 2022, primarily due to (i) payment for acquisition of a subsidiary pursuant to transfer of XDC Wuxi of RMB404.4 million, (ii) placement of financial assets at FVTPL of RMB400.0 million, (iii) purchase of property, plant and equipment of RMB201.4 million, and (iv) payment for acquisition of business of RMB280.0 million.

Net cash flows used in investing activities was RMB51.6 million in 2021, primarily due to (i) purchase of property, plant and equipment of RMB50.8 million and (ii) payment for right-of-use assets of RMB1.2 million.

Net cash flows used in investing activities was RMB52.4 million in 2020, primarily due to purchase of property, plant and equipment and intangible assets of RMB52.9 million, partially offset by proceeds on disposal of property, plant and equipment of RMB0.4 million.

Net Cash (Used in)/from Financing Activities

Net cash flows used in financing activities was RMB73.7 million in the six months ended June 30, 2023, primarily due to repayments of loan from related parties of RMB99.8 million, partially offset by loan from related parties of RMB28.6 million.

Net cash flows from financing activities was RMB1,328.2 million in 2022, primarily due to proceeds from issue of share of RMB1,285.5 million and loan from related parties of RMB137.3 million, partially offset by repayment of loan from related parties of RMB88.5 million.

Net cash flows from financing activities was RMB22.3 million in 2021, representing loans from related parties.

Net cash flows from financing activities was RMB69.1 million in 2020, representing capital contribution from our equity holders.

Current Assets and Current Liabilities

The following table sets forth our current assets and liabilities as of the dates indicated.

	As of December 31,			As of June 30,	As of September 30,
	2020	2021	2022	2023	2023
	(RMB in thousands)				(Unaudited)
Current assets					
Inventories	7,678	23,786	62,934	47,403	47,777
Trade and other receivables	44,060	150,236	505,604	757,245	834,166
Contract assets	1,028	10,717	17,309	24,665	29,328
Contract costs	13,875	36,690	80,713	63,134	88,779
Tax recoverable	2,663	—	—	—	—
Derivative financial assets	2,224	2,549	799	—	—
Financial assets at FVTPL	—	—	400,000	—	—
Bank balances and cash	28,390	26,325	334,972	561,644	440,644
Total current assets	99,918	250,303	1,402,331	1,454,091	1,440,694
Current liabilities					
Trade and other payables	32,080	818,653	773,313	773,149	775,523
Loans from related parties	—	22,343	71,144	—	—
Contract liabilities	151	10,020	151,450	232,418	276,735
Income tax payable	—	5,225	11,506	30,457	30,173
Lease liabilities	—	2,249	4,413	2,828	1,718
Derivative financial liabilities	—	—	2,147	—	—
Total current liabilities	32,231	858,490	1,013,973	1,038,852	1,084,149
Net current assets/(liabilities)	67,687	(608,187)	388,358	415,239	356,545
Total assets less current liabilities	376,237	21,263	1,482,406	1,701,098	1,794,636

We had net current assets of RMB67.7 million, RMB388.4 million, RMB415.2 million and RMB356.5 million as of December 31, 2020 and 2022, June 30, 2023 and September 30, 2023, respectively. Our net current assets position as of each of these days was primarily attributable to our trade and other receivables and bank balances and cash, partially offset by trade and other payables and contract liabilities. We had net current liabilities of RMB608.2 million as of December 31, 2021, primarily due to the consideration payable to a related party for transfer of XDC Wuxi and consideration payable for acquisition of Payload & Linker Business.

Our net current asset decreased from RMB415.2 million as of June 30, 2023 to RMB356.5 million as of September 30, 2023, primarily due to a decrease of RMB121.0 million in bank balances and cash, primarily due to payment made for our construction in progress at Wuxi site.

Our net current asset increased from RMB388.4 million as of December 31, 2022 to RMB415.2 million as of June 30, 2023, primarily due to an increase of RMB251.6 million in trade and other receivables, an increase of RMB226.7 million in bank balance and cash, and a decrease of RMB71.1 million in loans from related parties.

We had net current liabilities of RMB608.2 million as of December 31, 2021, compared to net current assets of RMB388.4 million as of December 31, 2022, primarily due to an increase of RMB400.0 million in financial assets at FVTPL, an increase of RMB333.7 million in trade receivables from third parties, and an increase of RMB308.6 million in bank balances and cash, as a result of our business growth and capital injection from our Shareholders, partially offset by an increase of RMB141.4 million in contract liabilities, in line with the increase of the number of projects initiated in 2022.

We had net current assets of RMB67.7 million as of December 31, 2020 compared to net current liabilities of RMB608.2 million as of December 31, 2021, primarily due to the consideration payable as part of transfer of XDC Wuxi and the consideration for acquisition of Payload & Linker Business.

CAPITAL EXPENDITURES AND COMMITMENTS

Our capital expenditures during the Track Record Period primarily related to our purchase of property, plant and equipment and intangible assets, and amounted to RMB52.9 million, RMB50.8 million, RMB201.4 million and RMB257.8 million, respectively, in 2020, 2021, 2022 and the six months ended June 30, 2023. We funded our capital expenditure requirements during the Track Record Period mainly from a combination of cash generated from our operating activities, loans and advances from related parties and capital contribution from Shareholders.

We plan to fund our planned capital expenditure by using the cash flow generated from our operations and the [**REDACTED**] received from the [**REDACTED**]. See "Future Plans and [**REDACTED**]" for the portion of capital expenditures to be funded by the [**REDACTED**] from the [**REDACTED**].

Capital Commitments

Our capital commitments primarily related to purchase of property, plant and equipment and building construction. The following sets forth a summary of our capital commitments as of the dates indicated.

	As of December 31,			As of June 30,
	2020	2021	2022	2023
	(RMB in thousands)			
Contracted but not provided for:				
Property, plant and equipment	39,766	124,413	126,572	159,922
Total	39,766	124,413	126,572	159,922

ACQUISITION OF PAYLOAD & LINKER BUSINESS

We entered into agreement to acquire Payload & Linker Business in July 2021, which focused on the research, development and manufacturing of payload-linkers. To facilitate our [**REDACTED**] to understand the financial performance of the Acquired Business during the Track Record Period and before the acquisition was completed, the following table is a summary of the major components of the consolidated financial statements of the Payload & Linker Business up to September 30, 2021.

	Year ended December 31, 2020	Nine months ended September 30, 2021
	(RMB in thousands)	
Revenue	58,181	131,341
Cost of sales and services	(19,210)	(56,021)
Gross profit	38,971	75,320
Other gains and losses	—	(11)
Impairment losses, under ECL model, net of reversal	(115)	7
Selling and marketing expenses	(7)	(7)
Administrative expenses	(1,306)	(926)
Research and development expenses	(1,506)	(1,322)
Profit before tax	36,037	73,061
Income tax expenses	(5,615)	(10,971)
Profit and total comprehensive income for the year/period	30,422	62,090

The following table is a summary of major components of the consolidated statements of financial position of the Payload & Linker Business up to September 30, 2021.

	As of December 31, 2020	As of September 30, 2021
	(RMB in thousands)	
Non-current asset		
Property and equipment	6,971	6,407
Current assets		
Trade receivables	12,564	—
Contract costs	17,850	—
Total current assets	30,414	—
Current liabilities		
Other payables	221	—
Contract liabilities	6,576	—
Total current liabilities	6,797	—

	As of December 31, 2020	As of September 30, 2021
	(RMB in thousands)	
Net current assets	23,617	6,407
Total assets less current liabilities	30,588	6,407
Net assets	30,588	6,407
Capital and reserves		
Retained earnings	44,456	106,546
Other reserve	(13,868)	(100,139)
Total equity	30,588	6,407

INDEBTEDNESS

Our indebtedness during the Track Record Period consisted of lease liabilities and loans from related parties. Our lease liabilities and loans from related parties as of December 31, 2020, 2021 and 2022, June 30, 2023 and September 30, 2023, being the latest practicable date for the purpose of indebtedness statement, were as follows.

	As of December 31,			As of June 30, 2023	As of September 30, 2023
	2020	2021	2022		
	(RMB in thousands)				(unaudited)
Lease liabilities (current)	—	2,249	4,413	2,828	1,718
Lease liabilities (non-current)	—	—	1,627	2,477	2,363
Loans from related parties	—	22,343	71,144	—	—
Total	—	24,592	77,184	5,305	4,081

As of September 30, 2023, RMB1.3 million of our lease liabilities was unguaranteed and secured by the rental deposits while the remaining portion of the lease liabilities was unguaranteed and unsecured. Save as disclosed above, we did not have any outstanding loan, capital issued or agreed to be issued, debt securities, mortgages, charges, debentures, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, hire purchase commitments or other contingent liabilities as of the Latest Practicable Date. We had not guaranteed the indebtedness of any independent third parties as of the Latest Practicable Date. Our Directors confirm that there has not been any material change in our indebtedness since September 30, 2023.

Our Directors confirm that as of the Latest Practicable Date, there was no material covenant on any of our outstanding debt and there was no breach of any covenant during the Track Record Period and up to the Latest Practicable Date. Our Directors further confirm that we did not experience any difficulty in obtaining bank loans and other borrowings, default in payment of bank loans and other borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date.

CONTINGENT LIABILITIES

As of the Latest Practicable Date, we did not have any material contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against any member of our Company.

[**REDACTED**] EXPENSES

We expect to incur a total of approximately RMB[**REDACTED**] (HK$[**REDACTED**]) of [**REDACTED**] expenses in connection with the [**REDACTED**], representing approximately [**REDACTED**]% of the [**REDACTED**] from the [**REDACTED**] (assuming an [**REDACTED**] of HK$[**REDACTED**], being the mid-point of the indicative [**REDACTED**] range between HK$[**REDACTED**] and HK$[**REDACTED**], and assuming that the [**REDACTED**] is not exercised), including (1) [**REDACTED**] fees and [**REDACTED**] commissions, SFC transaction levy, Stock Exchange trading fees and AFRC transaction levy for all [**REDACTED**] of approximately RMB[**REDACTED**] (HK$[**REDACTED**]), and (2) [**REDACTED**] expenses of approximately RMB[**REDACTED**] (HK$[**REDACTED**]), which consist of (i) fees and expenses of legal advisors and accountants of approximately RMB[**REDACTED**] (HK$[**REDACTED**]), and (ii) other fees and expenses of approximately RMB[**REDACTED**] (HK$[**REDACTED**]). Approximately RMB[**REDACTED**] has been charged to our consolidated statements of profit or loss in the six months ended June 30, 2023, approximately RMB[**REDACTED**] is expected to be charged to our consolidated statements of profit and loss after the Track Record Period, and approximately RMB[**REDACTED**] is expected to be deducted from equity. The [**REDACTED**] expenses above are the best estimate as of the Latest Practicable Date and for reference only. The actual amount may differ from this estimate.

KEY FINANCIAL RATIOS

	As of/for the year ended December 31,			As of/for the six months ended June 30,	
	2020	2021	2022	2022	2023
				(unaudited)	
Profitability ratios					
Gross profit margin[(1)]	8.4%	36.5%	26.4%	31.6%	23.1%
Net profit margin[(2)]	27.3%	17.7%	15.7%	29.8%	17.8%
Adjusted net profit margin (non-IFRS measure)[(3)]	34.0%	24.8%	19.6%	33.0%	21.8%
EBITDA margin (non-IFRS measure)[(4)]	47.5%	27.7%	22.7%	40.8%	23.3%
Adjusted EBITDA margin (non-IFRS measure)[(5)]	54.3%	34.9%	26.6%	44.0%	27.2%
Return on total assets[(6)]	6.4%	6.2%	6.2%	N/A	NM[(8)]
Liquidity ratios					
Current ratio[(7)]	3.1	0.3	1.4	N/A	1.4

(1) Gross profit for the period divided by revenue for the respective period and multiplied by 100.0.
(2) Profit or loss for the period divided by revenue for the respective period and multiplied by 100.0.
(3) Adjusted net profit (non-IFRS measure), defined as profit for the period adjusted by adding back [**REDACTED**] expenses and share-based compensation, divided by revenue for the respective period and multiplied by 100.0.
(4) EBITDA (non-IFRS measure), defined as profit for the period adjusted by adding back depreciation and amortization, income tax expense and finance costs and subtracting interest income from banks, divided by revenue for the respective period and multiplied by 100.0.
(5) Adjusted EBITDA (non-IFRS measure), defined as profit for the period adjusted by adding back [**REDACTED**] expenses and share-based compensation, depreciation and amortization, income tax expense and finance costs and subtracting interest income from banks, divided by revenue for the respective period and multiplied by 100.0.
(6) Profit for the period divided by the closing balance of total assets of for the respective period and multiplied by 100.0.
(7) Current assets divided by current liabilities as of period end.
(8) Not meaningful.

Analysis of Key Financial Ratios

Gross Profit Margin and Net Profit Margin

See "— Period to Period Comparison of Results of Operations" for a discussion of the factors affecting our gross profit margin and net profit margin during the Track Record Period.

Adjusted Net Profit Margin (Non-IFRS Measure), EBITDA Margin (Non-IFRS Measure) and Adjusted EBITDA Margin (Non-IFRS Measure)

Our adjusted net profit margin (non-IFRS measure) decreased from 34.0% in 2020 to 24.8% in 2021 and further to 19.6% in 2022, and from 33.0% in the six months ended June 30, 2022 to 21.8% in the six months ended June 30, 2023. Our EBITDA margin (non-IFRS measure) decreased from 47.5% in 2020 to 27.7% in 2021 and further to 22.7% in 2022, and from 40.8% in the six months ended June 30, 2022 to 23.3% in the six months ended June 30, 2023. Our adjusted EBITDA margin (non-IFRS measure) decreased from 54.3% in 2020 to 34.9% in 2021 and further to 26.6% in 2022, and from 44.0% in the six months ended June 30, 2022 to 27.2% in the six months ended June 30, 2023. The decrease in our adjusted net profit margin (non-IFRS measure), EBITDA margin (non-IFRS measure) and adjusted EBITDA margin (non-IFRS measure) during the Track Record Period was primarily due to the outsourcing of antibody intermediate manufacturing, which lowered our margin, partially offset by the continual increase in our operating leverage from greater economies of scale as we continue to ramp up our operations and increase service efficiency, which had a positive impact on our margin.

Return on Total Assets

Our return on total assets ratio remained relatively stable at 6.4%, 6.2% and 6.2% in 2020, 2021 and 2022, respectively.

Current Ratio

Our current ratio decreased from 3.1 as of December 31, 2020 to 0.3 as of December 31, 2021, primarily due to the increase in our trade and other payables, especially the consideration for transfer of XDC Wuxi and acquisition of Payload & Linker Business. Our current ratio increased to 1.4 as of December 31, 2022, primarily due to the increase in our financial assets at FVTPL and trade and other receivables, as a result of our business growth and capital injection by our Shareholders. Our current ratio remained relatively stable at 1.4 as of June 30, 2023.

RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time during our ordinary course of business and on terms of transactions with other entities that are not related parties. During the Track Record Period, we entered into a number of related party transactions. For details of our related party transactions, see Note 37 to the Accountants' Report in Appendix I to this document. Our Directors are of the view that each of the related party transactions was conducted in the ordinary and usual course of business and on normal commercial terms between the relevant parties and does not distort our Track Record Period results or make our historical results not reflective of future performance.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

We are exposed to currency, credit and liquidity risks arising from the normal course of our business. We manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency Risk

Our foreign currency transactions, including sales, expose us to foreign currency risk. Certain of our bank balances and cash, trade and other receivables and trade and other payables are denominated in currencies other than the functional currency of the relevant group entities and expose us to such foreign currency risk. The following table details our sensitivity to a 5% increase and decrease in RMB against U.S. dollars, Euro, Hong Kong dollars and Swiss franc, the foreign currencies with which we may have a material exposure. No sensitivity analysis has been disclosed for the Hong Kong dollar-denominated and Swiss franc-denominated assets/liabilities as the impact on profit is immaterial. The sensitivity rate of 5% represents our management's assessment of the reasonably possible change in foreign exchange rate. The sensitivity analysis uses outstanding foreign currency denominated monetary items as a base and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rate. A negative number below indicates a decrease in post-tax profit where Renminbi strengthens 5% against U.S. dollars and Euro.

	Year ended December 31			Six months ended June 30,	
	2020	2021	2022	2022	2023
	(RMB in thousands)				
				(unaudited)	
Impact on profit or loss sensitivity:					
USD	(1,671)	(2,804)	(13,624)	(7,739)	(13,572)
EUR	15	3	(901)	(140)	(451)

For more details about our currency risk, see Note 33(c) to the Accountants' Report in Appendix I to this document.

Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to us. At the end of each reporting period, our maximum exposure to credit risk which cause a financial loss to us due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognized financial assets as stated in the consolidated statement of the financial position.

In order to minimize credit risk, we have developed and maintained our credit risk grading to categorize exposures according to their degree of risk of default. Management uses publicly available financial information and our own historical repayment records to rate its major customers and other debtors. Our exposure and the credit ratings of its counterparties are continuously monitored and reviewed at the end of the reporting period to ensure the adequate impairment losses are made for irrecoverable amount. For more details about our credit risk, see Note 33(c) to the Accountants' Report in Appendix I to this document.

Liquidity Risk

In the management of the liquidity risk, we monitor and maintain a level of bank balances and cash deemed adequate by our management to finance our operations and mitigate the effects of fluctuations in cash flows. For more details about our liquidity risk, including a maturity profile of our financial liabilities and derivative instruments, see Note 33(c) to the Accountants' Report in Appendix I to this document.

DIVIDEND

During the Track Record Period, we did not pay or declare any dividend. According to our dividend policy adopted on [●], the Articles of Association and applicable laws and regulations, the determination to pay dividends will be made at the discretion of our Directors, subject to the Listing Rules, and will depend upon, among others, the financial results, cash flow, business conditions and strategies, future operations and earnings, capital requirements and expenditure plans, any restrictions on payment of dividends, and other factors that our Directors may consider relevant. We do not have a pre-determined dividend payout ratio. We will continue to re-evaluate our dividend policy in light of our financial condition and the prevailing economic environment.

As advised by our Cayman Islands legal advisors, we are a holding company incorporated under the laws of the Cayman Islands, pursuant to which, a company may declare and pay a dividend out of either profits or share premium account. The financial position of accumulated losses does not prohibit us from declaring and paying dividends to our Shareholders, as dividends may still be declared and paid out of our share premium account notwithstanding our profitability, provided that this would not result in our Company being unable to pay debts as they fall due in the ordinary course of business.

DISTRIBUTABLE RESERVES

As of June 30, 2023, our Company had distributable reserves of RMB1,698.3 million, which were available for distribution to our equity shareholders.

DISCLOSURE REQUIRED UNDER CHAPTER 13 OF THE LISTING RULES

Our Directors have confirmed that, as of the Latest Practicable Date, there are no circumstances which, had we been required to comply with Rules 13.13 to 13.19 in Chapter 13 of the Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

COVID-19 OUTBREAK AND EFFECTS ON OUR BUSINESS

Since the COVID-19 outbreak, a series of precautionary and control measures have been implemented worldwide to contain the virus. We adopted several precautionary measures to maintain a safe and hygienic working environment, such as adopting COVID-19 disinfecting techniques for our offices, distributing masks for employees, adopting flexible working schedules and locations, and implementing internal reporting system. We did not experience any suspension of operation during the COVID-19 pandemic Our Directors confirmed that, up to the Latest Practicable Date, the COVID-19 outbreak had not had a material adverse effect on our business, results of operations and financial condition. See "Risk Factors — Risks Relating to Our Business and Industry — An occurrence of a natural disaster, wide-spread health epidemic or other outbreaks, such as the COVID-19 pandemic, could have a material adverse effect on our business, results of operations and financial condition" for more details of the risks we are exposed to due to health epidemics and other outbreaks.

NO MATERIAL ADVERSE CHANGE

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, our Directors confirm that, as of the date of this document, there has been no material adverse change in our financial and trading positions or prospects since June 30, 2023, being the date on which our latest audited consolidated financial statements were prepared, and that there is no event since June 30, 2023 which would materially affect the information in the Accountants' Report set out in Appendix I to this document.

UNAUDITED [REDACTED] ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited [**REDACTED**] statement of adjusted consolidated net tangible assets attributable to our owners which has been prepared in accordance with paragraph 4.29 of the Listing Rules is for illustration only, and is set out to illustrate the effect of the proposed [**REDACTED**] (as defined in this document) on our consolidated net tangible assets attributable to our owners as of June 30, 2023, as if the [**REDACTED**] had taken place on that date.

Our unaudited [**REDACTED**] statement of adjusted consolidated net tangible assets attributable to our owners has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of our consolidated net tangible assets attributable to our owners as of June 30, 2023 or as of any subsequent dates following the [**REDACTED**].

The following unaudited [**REDACTED**] statement of our adjusted consolidated net tangible assets attributable to our owners is prepared based on our audited consolidated net tangible assets attributable to our owners as of June 30, 2023 as derived from the Accountants' Report set out in Appendix I to this document, and adjusted as described below.

	Audited consolidated net tangible assets attributable to our owners as of June 30, 2023	**Estimated [REDACTED] from the [REDACTED]**	**Unaudited [REDACTED] adjusted consolidated net tangible assets attributable to our owners as of June 30, 2023**	**Unaudited [REDACTED] adjusted consolidated net tangible assets attributable to our owners per Share as of June 30, 2023**	
		(RMB in thousands)		**RMB**	**HK$**
	(Note 1)	**(Note 2)**		**(Note 3)**	**(Note 4)**
Based on the [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**] Share	1,426,381	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Based on the [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**] Share	1,426,381	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]

1. Our audited consolidated net tangible assets attributable to our owners as of June 30, 2023 is arrived at after deducting goodwill and intangible assets attributable to our owners of RMB215,193,000 and RMB57,047,000 from our audited consolidated net assets attributable to our owners of RMB1,698,621,000 as of June 30, 2023 as extracted from the accountants' report set out in Appendix I to this document.

2. The estimated [**REDACTED**] from the issue of [**REDACTED**] pursuant to the [**REDACTED**] are based on [**REDACTED**] Shares at the [**REDACTED**] of HK$[**REDACTED**] (equivalent to RMB[**REDACTED**]) and HK$[**REDACTED**] (equivalent to RMB[**REDACTED**]) per [**REDACTED**], being the high-end and low-end of the stated [**REDACTED**] range, after deduction of the estimated [**REDACTED**] fees and commissions and other [**REDACTED**] related expenses not yet recognized in profit or loss up to June 30, 2023. It does not take into account of any Share which may be allotted and issued (i) upon the exercise of the [**REDACTED**]; (ii) under [**REDACTED**] Share Option Schemes; or (iii) under the general mandates for the allotment and issue of shares granted to the directors of the Company.

   For the purpose of this unaudited [**REDACTED**] financial information, the estimated [**REDACTED**] from the [**REDACTED**] is converted from Hong Kong dollars into Renminbi at an exchange rate of HK$1.00 to RMB[**REDACTED**], which was the exchange rate prevailing on [**REDACTED**] with reference to the rate published by the State Administration of Foreign Exchange of the PRC. No representation is made that Hong Kong dollar amounts have been, could have been or may be converted to Renminbi, or vice versa, at that rate or at all.

3. Our unaudited [**REDACTED**] adjusted consolidated net tangible assets attributable to our owners per Share as of June 30, 2023 is arrived on the basis that [**REDACTED**] shares including [**REDACTED**] existing ordinary shares in issue and [**REDACTED**] were in issue assuming that the [**REDACTED**] had been completed on June 30, 2023 and it does not take into account of any Share which may be allotted and issued (i) upon the exercise of the [**REDACTED**]; (ii) under [**REDACTED**] Share Option Schemes; or (iii) under the general mandates for the allotment and issue of shares granted to the directors of the Company.

4. For the purpose of this unaudited [**REDACTED**] financial information, our unaudited [**REDACTED**] adjusted consolidated net tangible assets attributable to our owners per Share as of June 30, 2023 is converted from Renminbi to Hong Kong dollars at an exchange rate of RMB[**REDACTED**] to HK$1.00, which was the exchange rate prevailing on [**REDACTED**] with reference to the rate published by the State Administration of Foreign Exchange of the PRC. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate or at all.

5. No adjustment has been made to our unaudited [**REDACTED**] adjusted consolidated net tangible assets attributable to our owners as of June 30, 2023 to reflect any trading result or our other transaction entered into subsequent to June 30, 2023. In particular, our unaudited [**REDACTED**] adjusted consolidated net tangible assets attributable to our owners per Share as of June 30, 2023 have not been adjusted to illustrate the effect of the subsequent events as disclosed in Note 44 to Appendix I in this document as such subsequent events would not have material impact on the unaudited [**REDACTED**] financial information.

FUTURE PLANS

For further disclosure of our business objectives and strategies, see "Business — Our Strategies."

[REDACTED]

We estimate that the [**REDACTED**] of the [**REDACTED**], after deducting the estimated [**REDACTED**] and other fees and expenses payable by us in connection with the [**REDACTED**], will be approximately HK$[**REDACTED**], assuming an [**REDACTED**] of HK$[**REDACTED**] per Share (being the mid-point of the indicative range of the [**REDACTED**] of HK$[**REDACTED**] to HK$[**REDACTED**] per Share), without the exercise of the [**REDACTED**].

We currently intend to use the [**REDACTED**] from the [**REDACTED**] for the purposes and in the amounts as set out below:

- Approximately [**REDACTED**]% of the [**REDACTED**], or HK$[**REDACTED**], will be used to further expand our service capability and capacity by (i) constructing our facilities in Singapore and (ii) expanding our service capability and capacity in China. The rationale behind our strategic choice to expand our service capability and capacity rests on the following factors: (i) the worldwide footprint of an expanding customer base, with 69.1% of our revenue originating from international clients beyond China in 2022, (ii) the escalating number of ongoing projects, notably our ongoing post-IND bioconjugate projects, which reached 43 as of June 30, 2023, and (iii) the tremendous industry growth potential. We anticipate substantial market potential for our integrated CRDMO services going forward, as supported by the historical rapid growth of the global ADC outsourcing services market from US$0.5 billion in 2018 to US$1.5 billion in 2022 at a CAGR of 34.5% and the continual increase in our global market share by revenue from 1.8% in 2020 to 4.6% in 2021 and 9.8% in 2022, which evidences our competitive edge over other industry peers. We expect the projected growth of the global ADC outsourcing services market, combined with the benchmark effect of our industry leadership, will further drive the market demand for our integrated CRDMO services. As we plan to lower outsourcing and procurement of antibody intermediates and payload-linkers from our Controlling Shareholders going forward so as to improve our margin profile, it is pivotal for us to strengthen our service capabilities and scaling up production capacity in advance so as to continue to provide high-quality services and successfully accommodate the surge in demand for our services. More specifically:

  (1) approximately [**REDACTED**]% of the [**REDACTED**], or HK$[**REDACTED**], will be used to construct our facilities at our Singapore site;

    - o approximately [**REDACTED**]%, or HK$[**REDACTED**], to be used for the establishment of our facilities at the Singapore site, with a total site area of approximately 18,500 sq.m. to meet the growing demand from customers worldwide for end-to-end bioconjugate CRDMO services and implement a "global dual sourcing" strategy.

      We selected Singapore site as the location of our new manufacturing facility because, (i) Singapore is a vibrant hub of the global biopharmaceutical industry, and its pro-business environment and thriving research ecosystems attract top pharmaceutical companies to build their operation and manufacturing facilities,

which may bring us significant opportunities in brand promotion and customer acquisition; (ii) in addition to its open and liberal trade region and low corporate tax rates, Singapore launched favorable policies in recent years, such as the Pharma Innovation Programme Singapore, launched in 2017, which brings together researchers in the public sector and key global players to help improve manufacturing operations and technologies, as well as substantial government investment to further health and biomedical sciences research, to support the development of its pharmaceutical industry, and has attracted worldwide talents and strengthened its manufacturing capabilities; (iii) its proximity to our current facilities in China enables us to better coordinate the day-to-day operations of our various sites; and (iv) constructing and maintaining operations in Singapore require less capital investment than operations in North America and Europe would otherwise require, and we also expect to incur less operating expenses such as labor cost with operations in Singapore. Therefore, we believe Singapore will be a suitable location for us to expand our operations and access the global market.

As of the Latest Practicable Date, the WXB Group had secured a land offer from the relevant authority in Singapore for its Singapore expansion as well as our Singapore site. Such arrangements with the Remaining WXB Group was primarily because (i) the WXB Group contemplated and engaged in discussion for expansion in Singapore well before the proposed [**REDACTED**]; (ii) it is easier for government authorities in Singapore to deal with the WXB Group as a whole instead of separately engaging with the Remaining WXB Group and us; and (iii) leveraging the industry leadership and worldwide reputation of the WXB Group, we expect to gain more access to favorable local government policies and expedite the application process for regulatory approval. The Remaining WXB Group will not participate in the operation of our Singapore site. We have entered into strategic collaboration agreement with suppliers for the modularized construction of our Singapore facility and commenced concept design, and we expect to commence construction of our Singapore site by January 2024. Our Directors currently do not expect any impediment in obtaining all requisite regulatory approvals for the commencement of the construction and on any other material aspects, and nothing has come to the attention of the [**REDACTED**] to disagree with the above view of the Directors. We expect to complete and commence GMP-compliant operation of our Singapore site by 2026. See "Business — Facilities — Our Facility Expansion Plans — Singapore Site."

Our Singapore facility will be primarily used to serve overseas customers, in particular, customers with demands for CRDMO services at late-stage clinical and commercial phases, while services for projects at discovery and preclinical stages will be provided from our headquarters in China. Once projects for overseas customers progress into late-stage clinical and commercial phases and need to be transferred to our Singapore site, our facilities in China will provide necessary technical support, and will, in particular, transfer relevant technologies and data to our Singapore site for further provision of CRDMO services. Moreover, our facilities in China will supply the payload-linkers needed for the operations at our Singapore site. We do not expect the transport of such payload-linkers will significantly increase the operating costs of our facilities, as the transportation of payload-linkers is generally uncomplicated, and we plan to utilize bulk shipment to lower potential transportation and logistics expenses. Our fully integrated service offering platform, single-source solution, and extensive experience enable us to conduct multiple steps in parallel and run iterations seamlessly to improve the overall productivity and efficiency.

Both the global and China's ADC and broader bioconjugates markets are expected to grow rapidly in the near future. According to Frost & Sullivan, the global market for ADC outsourcing services reached US$1.5 billion in 2022, at a CAGR of 34.5% from 2018 and 2022, and is expected to expand significantly to reach US$11.0 billion by 2030, at a CAGR of 28.4% from 2022 to 2030. The ADC outsourcing services market in China will reach an estimated value of RMB16.5 billion by 2030, at a CAGR of 35.9% from 2022 to 2030. See "Industry Overview." We believe that companies possessing competitive strengths in technology, operational and cost efficiency and can seamlessly meet customer demands, including clinical and commercial manufacturing demands, will set themselves apart from competitors and acquire a larger market share. As an increasing number of our projects are expected to progress into the clinical and commercial stage, we expect our existing manufacturing capacity will not be sufficient to satisfy growing demands from both domestic and overseas customers for clinical and commercial manufacturing. Our Singapore site will focus on serving overseas customer demands for clinical-stage and commercial manufacturing, while our domestic facilities will be used primarily for manufacturing for customers in China. Our Singapore site and domestic facility will be under the vertical management of the same management team to ensure coordinated and uniform management throughout the organization; and

- approximately [**REDACTED**]%, or HK$[**REDACTED**], to be used to purchase manufacturing and R&D equipment and systems and recruit manufacturing, R&D and management personnel for the operation of our Singapore site;

  We plan to deploy four production lines in our Singapore site, including a dual-function production line for antibody intermediates for bioconjugates and drug substance ("**XBCM3**") which will focus on commercial manufacturing, a production line for drug substance ("**XBCM4**") which will focus on clinical-stage manufacturing, as well as two drug product manufacturing lines ("**DP3**" and "**DP4**"), each focusing on commercial and clinical-stage manufacturing, respectively. We plan to recruit a total of 592 employees and management personnel for our Singapore site, including 163 personnel for the R&D and production work for XBCM3, 127 personnel for the R&D and production work for XBCM4, 147 personnel for the R&D and production work for DP3, 132 personnel for the R&D and production work for DP4, and 23 management personnel. We plan to recruit approximately 100, 60 and 100 personnel in 2024, 2025 and 2026 for our Singapore site, respectively, and we will formulate recruitment plan for 2027 and onward based on the ramp-up status of the production capacity for our Singapore site. According to Frost & Sullivan, Singapore has sufficient talent supply for our recruitment plan set out above. We may also relocate certain employees in China to Singapore to implement our expansion plan. Singapore imposes certain restrictions on a local company's foreign employee quota, and we will ensure compliance with such requirements when formulating and implementing our recruitment plan. We plan to initiate staff recruiting for our Singapore site in 2024, who will provide facility construction support and perform the validation work for our Singapore site prior to the commencement of operations, as typically required for construction of drug manufacturing facilities;

We expect to incur approximately US$[**REDACTED**] in implementing our expansion plan for the Singapore site, approximately [**REDACTED**]% of which will be funded by the [**REDACTED**] of the [**REDACTED**], assuming an [**REDACTED**] of HK$[**REDACTED**] per Share, being the mid-point of our indicative [**REDACTED**] range; and

(2) approximately [**REDACTED**]% of the [**REDACTED**], or HK$[**REDACTED**], will be used to expand our production capacity in China;

- approximately [**REDACTED**]%, or HK$[**REDACTED**], to be used to purchase manufacturing and R&D equipment and systems, such as bioreactors, steam sterilizers, capillary electrophoresis instrument and enzyme labeling apparatus, among others;

- approximately [**REDACTED**]%, or HK$[**REDACTED**], to be used for the establishment, maintenance and improvement of our manufacturing plants at our Wuxi site, including building up a kilogram-scale payload-linker production line. We have recently commenced GMP-compliant operations of a newly established dual-function production line for antibody intermediates and drug substance, which has a designed capacity of 200 liters to 2,000 liters per batch for monoclonal antibody intermediate productions and up to 2,000 liters per batch for bioconjugate drug substance production. As our business continues to grow, we will plan and build additional manufacturing facilities at our Wuxi site. See "Business — Facilities — Our Facility Expansion Plans — Wuxi Site";

  We expect to incur approximately US$[**REDACTED**] in completing our expansion plan for our production capacity in China, approximately [**REDACTED**]% of which will be funded by the [**REDACTED**] of the [**REDACTED**], assuming an [**REDACTED**] of HK$[**REDACTED**] per Share, being the mid-point of our indicative [**REDACTED**] range.

- Approximately [**REDACTED**]% of the [**REDACTED**], or HK$[**REDACTED**], will be used to selectively pursue strategic alliances, investment and acquisition opportunities primarily to enrich our technology platform and service offerings and capabilities.

  We plan, in part, to invest in or acquire unique technologies that we perceive to be not only innovative within the bioconjugate industry, but also complementary to our existing capabilities. When evaluating target companies, we will take into consideration (i) their potential to generate effective synergy with our existing platform, (ii) their technology and expertise, (iii) their operating history, (iv) their ability to bring in new business opportunities, and (v) their financial performance. We plan to seek acquisition and investment opportunities with companies specializing in various fields of conjugation technologies, such as enzyme conjugation, self immolation linkers and linker modification technologies. We expect to establish a conjugation drug development platform through such acquisition and investment, as well as external technology collaboration, technology license-in and internal development, to bring customers a greater selection of drug components and promote their project progression. We plan to acquire or invest in target companies with a valuation ranging from US$[**REDACTED**] to US$[**REDACTED**]. Based on our industry intelligence and concurred by Frost & Sullivan, our Directors believe that we will be able to identify suitable acquisition

targets that satisfy our selection criteria. As advised by Frost & Sullivan, there are a sufficient number of suitable acquisition targets in the relevant markets. We will leverage our industry resources and network and continue to monitor the market conditions and engage financial and legal advisors to explore and evaluate, from time to time, potential acquisition opportunities when they arise. As of the Latest Practicable Date, we had not identified any investment or acquisition target or enter into any definitive investment or acquisition agreement.

We expect to incur approximately US$[**REDACTED**] in completing our expansion plan for the pursuit of strategic alliances, investment and acquisition opportunities, approximately [**REDACTED**]% of which will be funded by the [**REDACTED**] of the [**REDACTED**], assuming an [**REDACTED**] of HK$[**REDACTED**] per Share, being the mid-point of our indicative [**REDACTED**] range.

- Approximately [**REDACTED**]% of the [**REDACTED**], or HK$[**REDACTED**], for working capital and other general corporate purposes.

The above allocation of the [**REDACTED**] will be adjusted on a pro rata basis in the event that the [**REDACTED**] is fixed below or above the mid-point of the indicative [**REDACTED**]. If the [**REDACTED**] is set at HK$[**REDACTED**] per Share, which is the high end of our indicative [**REDACTED**] range, the [**REDACTED**] from the [**REDACTED**] will increase by approximately HK$[**REDACTED**]. If the [**REDACTED**] is set at HK$[**REDACTED**] per Share, which is the low end of our indicative [**REDACTED**] range, the [**REDACTED**] from the [**REDACTED**] will decrease by approximately HK$[**REDACTED**]. Any additional [**REDACTED**] received from the exercise of the [**REDACTED**] will also be allocated to the above purposes on a pro rata basis. In the event that the [**REDACTED**] is exercised in full, we will receive [**REDACTED**] of HK$[**REDACTED**] (after deducting the estimated [**REDACTED**] and other fees and expenses payable by us in connection with the [**REDACTED**] and assuming an [**REDACTED**] of HK$[**REDACTED**] per Share, being the mid-point of our indicative [**REDACTED**] range).

To the extent that the [**REDACTED**] are not immediately applied to the above purposes, we intend to deposit the [**REDACTED**] into short-term demand deposits with one or more licensed banks or financial institutions so long as it is deemed to be in the best interests of our Company.

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

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The following is the text of a report set out on pages I-1 to I-109, received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.

Deloitte. 德勤

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF WUXI XDC CAYMAN INC. AND MORGAN STANLEY ASIA LIMITED, GOLDMAN SACHS (ASIA) L.L.C. AND J.P. MORGAN SECURITIES (FAR EAST) LIMITED

Introduction

We report on the historical financial information of WuXi XDC Cayman Inc. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages I-4 to I-109, which comprises the consolidated statements of financial position of the Group as at December 31, 2020, 2021 and 2022, and June 30, 2023, the statements of financial position of the Company as at December 31, 2020, 2021 and 2022, and June 30, 2023, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the years ended December 31, 2020, 2021 and 2022, and six months ended June 30, 2023 (the "Track Record Period") and material accounting policy information and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-109 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [●] (the "Document") in connection with the initial [**REDACTED**] of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Group's and the Company's financial positions as at December 31, 2020, 2021 and 2022, and June 30, 2023 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for six months ended June 30, 2022 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 14 to the Historical Financial Information which contains information about the dividends declared and paid by the Company in respect of the Track Record Period and states that no dividend was declared or paid by the Company since its incorporation.

[Deloitte Touche Tohmatsu]
Certified Public Accountants
Hong Kong
[●]

HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information in this report is based, have been prepared in accordance with the accounting policies which conform with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and were audited by us in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended December 31,			Six months ended June 30,	
		2020	2021	2022	2022	2023
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue	6	96,353	311,131	990,423	329,436	993,468
Cost of services		(88,272)	(197,637)	(729,340)	(225,481)	(764,068)
Gross profit		8,081	113,494	261,083	103,955	229,400
Other income	7	41,446	8,966	26,152	18,812	39,579
Other gains and losses	8	(2,711)	(855)	46,672	25,679	4,461
Impairment losses (recognized) reversed, under expected credit loss model, net of reversal	10	(289)	(10,558)	(43,369)	2,976	24,382
Selling and marketing expenses		(478)	(2,028)	(8,769)	(4,152)	(5,823)
Administrative expenses		(9,608)	(27,858)	(49,210)	(15,248)	(42,739)
[**REDACTED**] expenses		—	—	—	—	(7,374)
Research and development expenses		(4,075)	(13,815)	(33,842)	(11,059)	(29,749)
Finance costs	9	—	(493)	(2,916)	(1,573)	(569)
Profit before tax	10	32,366	66,853	195,801	119,390	211,568
Income tax expenses	11	(6,067)	(11,923)	(40,070)	(21,123)	(34,354)
Profit for the year/period		26,299	54,930	155,731	98,267	177,214
Other comprehensive income (expense)						
Items that may be reclassified subsequently to profit or loss:						
Fair value gain(loss) on hedging instruments designated in cash flow hedges, net of income tax		1,668	499	(3,313)	(4,025)	1,146
Exchange gain arising on translation of foreign operations		—	—	—	—	4,635
Other comprehensive income (expense) for the year/period		1,668	499	(3,313)	(4,025)	5,781
Total comprehensive income for the year/period		27,967	55,429	152,418	94,242	182,995
Earnings per share						
Basic (RMB)	13	0.04	0.09	0.18	0.14	0.18
Diluted (RMB)		0.04	0.09	0.18	0.14	0.17

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at December 31, 2020	As at December 31, 2021	As at December 31, 2022	As at June 30, 2023
		RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets					
Property, plant and equipment	15	303,205	335,684	798,575	987,555
Investment property	16	—	13,215	12,812	12,610
Right-of-use assets	17	—	2,223	5,280	4,529
Goodwill	18	—	215,193	215,193	215,193
Intangible assets	20	4,808	60,990	50,648	57,047
Deferred tax assets	19	387	1,995	11,540	8,557
Other long term deposits and prepayments		150	150	—	368
		308,550	629,450	1,094,048	1,285,859
Current assets					
Inventories	22	7,678	23,786	62,934	47,403
Trade and other receivables	24	44,060	150,236	505,604	757,245
Contract assets	25	1,028	10,717	17,309	24,665
Contract costs	23	13,875	36,690	80,713	63,134
Tax recoverable		2,663	—	—	—
Derivative financial assets	30	2,224	2,549	799	—
Financial assets at fair value through profit or loss ("FVTPL")	21	—	—	400,000	—
Bank balances and cash	26	28,390	26,325	334,972	561,644
		99,918	250,303	1,402,331	1,454,091
Current liabilities					
Trade and other payables	27	32,080	818,653	773,313	773,149
Loans from related parties	28	—	22,343	71,144	—
Contract liabilities	29	151	10,020	151,450	232,418
Income tax payable		—	5,225	11,506	30,457
Lease liabilities	31	—	2,249	4,413	2,828
Derivative financial liabilities	30	—	—	2,147	—
		32,231	858,490	1,013,973	1,038,852
Net current assets (liabilities)		67,687	(608,187)	388,358	415,239
Total assets less current liabilities		376,237	21,263	1,482,406	1,701,098
Non-current liabilities					
Deferred tax liabilities	19	556	382	—	—
Lease liabilities	31	—	—	1,627	2,477
Net assets		375,681	20,881	1,480,779	1,698,621
Capital and reserves					
Share capital	32	—	—	319	319
Reserves		375,681	20,881	1,480,460	1,698,302
Total equity		375,681	20,881	1,480,779	1,698,621

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	Notes	As at December 31, 2020	As at December 31, 2021	As at December 31, 2022	As at June 30, 2023
		RMB'000	RMB'000	RMB'000	RMB'000
Non-current asset					
Investment in subsidiaries	41	—	—	1,334,030	1,364,229
Current assets					
Other receivables	24	—	—	—	1,054
Bank balances and cash		—	329	591	54
		—	329	591	1,108
Current liability					
Other payables	27	—	969	1,812	10,031
Net current liability		—	(640)	(1,221)	(8,923)
Total assets less current liability/ Net (liabilities) assets		—	(640)	1,332,809	1,355,306
Capital and reserves					
Share capital	32	—	—	319	319
Reserves	42	—	(640)	1,332,490	1,354,987
Total (deficit) equity		—	(640)	1,332,809	1,355,306

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Share premium	Merger reserve	Special reserve	Other reserve	Statutory reserve	Equity-settled share-based compensation reserve	Cash flow hedging reserve	Foreign currency translation reserve	(Accumulated loss) Retained earnings	Total
			(note ii)	(note iii)	(note v)	(note i)	(note iv)				
As at January 1, 2020. . .	—	—	275,048	16,062	885	73	—	—	—	(8,989)	283,079
Profit for the year	—	—	—	—	—	—	—	—	—	26,299	26,299
Other comprehensive income for the year . . – Fair value adjustments on cash flow hedges. .	—	—	—	—	—	—	—	1,668	—	—	1,668
Total comprehensive income for the year . .	—	—	—	—	—	—	—	1,668	—	26,299	27,967
Transfer to statutory reserve	—	—	—	—	—	570	—	—	—	(570)	—
Recognition of equity-settled share-based compensation.	—	—	—	—	6,476	—	—	—	—	—	6,476
Capital contribution from equity holders of XDC Wuxi *(note ii(a))*.	—	—	69,116	—	—	—	—	—	—	—	69,116
Deemed contribution from equity holders of the Company *(note ii(c))*.	—	—	2,852	—	—	—	—	—	—	—	2,852
Net distribution to Biologics Shanghai *(note iii(a))*	—	—	—	(13,809)	—	—	—	—	—	—	(13,809)
Profit for the year from BCD Business Unit transferred to special reserve *(note iii(b))* . .	—	—	—	18,736	—	—	—	—	—	(18,736)	—
As at December 31, 2020 .	—	—	347,016	20,989	7,361	643	—	1,668	—	(1,996)	375,681
Profit for the year	—	—	—	—	—	—	—	—	—	54,930	54,930
Other comprehensive income for the year – Fair value adjustments on cash flow hedges. .	—	—	—	—	—	—	—	499	—	—	499
Total comprehensive income for the year . .	—	—	—	—	—	—	—	499	—	54,930	55,429

	Share capital	Share premium	Merger reserve (note ii)	Special reserve (note iii)	Other reserve (note v)	Statutory reserve (note i)	Equity-settled share-based compensation reserve (note iv)	Cash flow hedging reserve	Foreign currency translation reserve	(Accumulated loss) Retained earnings	Total
Transfer to statutory reserve	—	—	—	—	—	5,558	—	—	—	(5,558)	—
Recognition of equity-settled share-based compensation	—	—	—	—	22,157	—	—	—	—	—	22,157
Deemed distribution to equity holders of the company *(note ii(b))*	—	—	(404,413)	—	—	—	—	—	—	—	(404,413)
Deemed contribution from equity holders of the Company *(note ii(c))*	—	—	3,650	—	—	—	—	—	—	—	3,650
Net distribution to Biologics Shanghai *(note iii(a))*	—	—	—	(31,623)	—	—	—	—	—	—	(31,623)
Profit for the year from BCD Business Unit transferred to special reserve *(note iii(b))*	—	—	—	27,242	—	—	—	—	—	(27,242)	—
As at December 31, 2021	—	—	(53,747)	16,608	29,518	6,201	—	2,167	—	20,134	20,881
Profit for the year	—	—	—	—	—	—	—	—	—	155,731	155,731
Other comprehensive expense for the year. . – Fair value adjustments on cash flow hedges. .	—	—	—	—	—	—	—	(3,313)	—	—	(3,313)
Total comprehensive (expense) income for the year	—	—	—	—	—	—	—	(3,313)	—	155,731	152,418
Transfer to statutory reserve	—	—	—	—	—	6,666	—	—	—	(6,666)	—
Recognition of equity-settled share-based compensation	—	—	—	—	10,876	—	27,750	—	—	—	38,626
Shares fully paid *(Note 32)*	319	1,285,143	—	—	—	—	—	—	—	—	1,285,462
Deemed distribution to Biologics Shanghai *(note iii(a))*	—	—	—	(16,608)	—	—	—	—	—	—	(16,608)

	Share capital	Share premium	Merger reserve (note ii)	Special reserve (note iii)	Other reserve (note v)	Statutory reserve (note i)	Equity-settled share-based compensation reserve (note iv)	Cash flow hedging reserve	Foreign currency translation reserve	(Accumulated loss) Retained earnings	Total
As at December 31, 2022	319	1,285,143	(53,747)	—	40,394	12,867	27,750	(1,146)	—	169,199	1,480,779
Profit for the period	—	—	—	—	—	—	—	—	—	177,214	177,214
Other comprehensive income for the period											
– Fair value adjustments on cash flow hedges	—	—	—	—	—	—	—	1,146	—	—	1,146
– Exchange gain arising on translation of foreign operations	—	—	—	—	—	—	—	—	4,635	—	4,635
Total comprehensive income for the period	—	—	—	—	—	—	—	1,146	4,635	177,214	182,995
Recognition of equity-settled share-based compensation	—	—	—	—	4,702	—	30,145	—	—	—	34,847
As at June 30, 2023	319	1,285,143	(53,747)	—	45,096	12,867	57,895	—	4,635	346,413	1,698,621
As at December 31, 2021	—	—	(53,747)	16,608	29,518	6,201	—	2,167	—	20,134	20,881
Profit for the period	—	—	—	—	—	—	—	—	—	98,267	98,267
Other comprehensive expense for the period											
– Fair value adjustments on cash flow hedges	—	—	—	—	—	—	—	(4,025)	—	—	(4,025)
Total comprehensive (expense) income for the period	—	—	—	—	—	—	—	(4,025)	—	98,267	94,242
Recognition of equity-settled share-based compensation	—	—	—	—	8,804	—	1,791	—	—	—	10,595
Shares fully paid (Note 32)	319	1,285,143	—	—	—	—	—	—	—	—	1,285,462
Deemed distribution to Biologics Shanghai (note iii(a))	—	—	—	(16,608)	—	—	—	—	—	—	(16,608)
As at June 30, 2022 (unaudited)	319	1,285,143	(53,747)	—	38,322	6,201	1,791	(1,858)	—	118,401	1,394,572

Notes:

i. In accordance with the Articles of Association of all subsidiaries established in the People's Republic of China (the "PRC"), they are required to transfer 10% of the profit after tax to the statutory reserve until the reserve reaches 50% of their registered capital. Transfer to this reserve must be made before distributing dividends to equity holders. The statutory reserve can be used to make up for previous years' losses, expand the existing operations or convert into additional capital of the subsidiaries.

ii. Merger reserve as of January 1, 2020 represents the capital contribution in WuXi XDC Co., Ltd. ("XDC Wuxi") by the then shareholders before the transfer of XDC Wuxi (as set out in Note 2). The amounts recorded in merger reserve during the Track Record Period are resulted from the following movements:

   a. The movement represents additional capital injection into XDC Wuxi by the then shareholders before the transfer of XDC Wuxi.

   b. The amount represents consideration paid/payable by the Group for acquisition of XDC Wuxi from the then shareholders.

   c. The movement represents administrative service cost borne on behalf of XDC Wuxi by fellow subsidiaries that the then shareholders did not demand repayment, hence it was treated as a deemed contribution from equity holders of the Company.

iii. Historically, part of the Group's principal business, which is discovery and development platform for antibody drug conjugates, was carried out by WuXi Biologics (Shanghai) Co., Ltd. ("Biologics Shanghai"), a wholly-owned subsidiary of WuXi Biologics (Cayman) Inc. ("Biologics Cayman") during the Track Record Period until, as part of the Transfers (as defined in Note 2), Biologics Shanghai ceased to operate discovery and development service for antibody drug conjugates (the "BCD Business Unit") and transferred to WuXi XDC (Shanghai) Co., Ltd. ("XDC Shanghai") all relevant assets and liabilities related specifically to the discovery and development service (the "Business Transfer"), as further disclosed in Note 2.

   The special reserve reflects reserve movements related to the operations of the BCD Business Unit.

   a. The net distribution to Biologics Shanghai represents the funding generated by the BCD Business Unit and retained in Biologics Shanghai prior to the Business Transfer.

   b. The profit in respect of the operations of the BCD Business Unit carried out by Biologics Shanghai prior to the Business Transfer was legally belonged to Biologics Shanghai. As such profit is non-distributable, the net profit in respect of the BCD Business Unit was transferred to special reserve.

iv. The amount represents the equity-settled share-based compensation in respect of share option for shares of Company granted by the Group to certain directors and employees of the Group for their services rendered to the Group as set out in Note 38.

v. The amount represents the equity-settled share-based compensation in respect of share options for shares of Biologics Cayman, the ultimate holding company of the Company granted by Biologics Cayman to certain directors and employees of the Group for their service rendered to the Group.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
OPERATING ACTIVITIES					
Profit before tax	32,366	66,853	195,801	119,390	211,568
Adjustments for:					
Finance costs	—	493	2,916	1,573	569
Interest income from banks	(31)	(28)	(4,612)	(562)	(3,424)
Depreciation of property, plant and equipment	13,008	16,279	17,510	8,092	17,740
Depreciation of investment property	—	168	403	202	202
Depreciation of right-of-use assets	—	846	4,959	2,710	1,856
Amortization of intangible assets	457	1,688	7,940	2,868	2,952
Impairment losses, net of reversal					
– trade and other receivables	289	10,556	43,220	(2,976)	(25,967)
– contract assets	—	2	149	—	1,585
Write down of inventories, net of reversal	—	363	120	58	273
Write down of contract costs	1	3,810	2,005	3,929	765
Net foreign exchange (gain) loss	(889)	331	(8,162)	(15,498)	223
Loss (gain) on disposal of property, plant and equipment	—	108	65	29	(19)
Share-based compensation expense	6,476	22,157	38,626	10,595	31,780
Operating cash flows before movements in working capital	51,677	123,626	300,940	130,410	240,103
Decrease (increase) in inventories	4,059	(16,471)	(39,268)	(11,563)	15,258
Increase in trade and other receivables	(13,136)	(116,732)	(592,233)	(154,009)	(224,622)
Decrease (increase) in other long-term deposits and prepayments	—	—	150	150	(368)
Decrease (increase) in contract assets	217	(9,689)	(9,776)	(5,938)	(8,941)
(Increase) decrease in contract costs	(9,392)	(20,716)	(45,481)	(32,335)	25,131
(Decrease) increase in trade and other payables	(3,696)	94,892	539,030	141,498	44,723
Increase in contract liabilities	103	9,869	141,587	97,858	80,968
Cash generated from operations	29,832	64,779	294,949	166,071	172,252
Income taxes paid	(8,978)	(5,643)	(43,133)	(13,112)	(12,621)
NET CASH FROM OPERATING ACTIVITIES	20,854	59,136	251,816	152,959	159,631

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
INVESTING ACTIVITIES					
Proceeds on disposal of property, plant and equipment	425	292	1,640	625	617
Payments for property, plant and equipment	(49,280)	(50,753)	(201,382)	(179,699)	(247,805)
Payments for intangible assets	(3,600)	—	—	—	(10,000)
Payments for right-of-use assets	—	(1,154)	—	—	—
Receipt of bank interest income	31	28	4,612	562	3,424
Payment for transfer of XDC Wuxi to the Group	—	—	(404,413)	(404,413)	—
Settlement of consideration payable for acquisition of Payload and Linker Business	—	—	(280,000)	(280,000)	—
Settlement of consideration payable for acquisition of BCD Business Unit	—	—	—	—	(9,877)
Placement of financial assets at FVTPL	—	—	(400,000)	—	(1,068,843)
Withdrawal of financial assets at FVTPL	—	—	—	—	1,469,601
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(52,424)	(51,587)	(1,279,543)	(862,925)	137,117
FINANCING ACTIVITIES					
Loans from related parties	—	22,343	137,255	86,216	28,626
Repayments of loans from related parties	—	—	(88,454)	(37,315)	(99,770)
Repayments of lease liabilities	—	—	(5,725)	(2,581)	(2,332)
Interest paid	—	—	(325)	(192)	(149)
Payment of accrued issue costs	—	—	—	—	(104)
Capital contribution from equity holders of XDC Wuxi	69,116	—	—	—	—
Fully paid of issued shares	—	—	1,285,462	1,285,462	—
NET CASH FROM (USED IN) FINANCING ACTIVITIES	69,116	22,343	1,328,213	1,331,590	(73,729)
Net distribution to Biologics Shanghai by BCD Business Unit *(note)*	(13,809)	(31,623)	—	—	—
Effects of exchange rate changes	890	(334)	8,161	15,498	3,653
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	24,627	(2,065)	308,647	637,122	226,672
Cash and cash equivalents at beginning of the year/period	3,763	28,390	26,325	26,325	334,972
Cash and cash equivalents at end of the year/period, represented by bank balances and cash	28,390	26,325	334,972	663,447	561,644

Note: Prior to transfer of the BCD Business Unit as detailed in Note 2, the BCD Business Unit was operated under Biologics Shanghai and no separate bank accounts were maintained for the BCD Business Unit. Accordingly, the net equity generated by the BCD Business Unit prior to completion of the Business Transfer that would not have an impact to the cash and cash equivalents of the Group, are reflected as "Net distribution to Biologics Shanghai by BCD Business Unit" in the consolidated statements of cash flows and were presented as "Net distribution to Biologics Shanghai" in the consolidated statements of changes in equity.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Company is an exempted limited liability company incorporated in the Cayman Islands on December 14, 2020. The addresses of the registered office and principal place of business of the Company are disclosed in the section "Corporate Information" of the Document.

The Company is an investment holding company. During the Track Record Period, the subsidiaries of the Company as set out in Note 41 (hereinafter together with the Company collectively referred to as the "Group") are principally engaged in research, discovery, development and manufacturing of the drug substances and drug products of antibody drug conjugates and other bioconjugates. Throughout the Track Record Period and as at the date of this report, Biologics Cayman is the ultimate holding company of the Company before and after the transfers and acquisition as set out in Note 2 below.

Items included in the financial statements of each of the Group's entities are recorded using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Historical Financial Information is presented in RMB, which is also the functional currency of the Company.

No statutory financial statements of the Company has been prepared since its date of incorporation as it is incorporated in a jurisdiction where there are no statutory requirements.

2. HISTORY, GROUP REORGANIZATION AND BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared based on the accounting policies set out in Note 4 which conform with IFRSs issued by IASB and the convention applicable for the Transfers (as defined and detailed below).

History and Group Reorganization

To rationalize the structure of the Group in preparation for the separate [**REDACTED**] of the Company's shares on the Main Board of the Stock Exchange of Hong Kong Limited (the [**REDACTED**]), Biologics Cayman underwent a series of group reorganization as further described below. Apart from the acquisition of Payload and Linker Business as set out in note (vii) below, the Company and the then subsidiaries are under the common control of Biologics Cayman, the transfer of XDC Wuxi and BCD Business Unit (as defined below) (the "Transfers") from Biologics Cayman to the Group had been accounted for as business combination involving entities and business under common control using the principle of merger accounting.

i. WuXi XDC Hong Kong Limited ("XDC HK") was incorporated on June 7, 2021 and is directly wholly-owned by the Company.

ii. XDC Wuxi was established in the PRC on March 13, 2018 by Biologics Cayman Investments Limited ("Biologics Investment"), a subsidiary of Biologics Cayman. On July 9, 2021, XDC HK entered into a share transfer agreement with Biologics Investment for acquisition of 100% equity interest in XDC Wuxi from Biologics Investment at a cash consideration of approximately RMB404,413,100.

iii. XDC Shanghai was established on March 31, 2021 and is directly wholly-owned by XDC Wuxi.

iv. Wuxi XDC (Changzhou) Co., Ltd. ("XDC Changzhou") was established on July 2, 2021 and is directly wholly-owned by WuXi XDC.

v. Wuxi XDC Singapore Private Limited ("XDC Singapore") was established on November 16, 2022 and is directly wholly-owned by XDC HK.

vi. On July 20, 2021, XDC Shanghai entered into a business transfer agreement with Biologics Shanghai, a subsidiary of Biologics Cayman, for transferring of the bioconjugate drug business unit (the "**BCD Business Unit**") to XDC Shanghai (the "Business Transfer") at a cash consideration of approximately RMB15,587,000.

vii. On July 20, 2021, XDC Changzhou entered into a business acquisition agreement with a related party, Changzhou SynTheAll Pharmaceutical Co., Ltd. ("STA Changzhou"), which is a fellow subsidiary of the Company's shareholder namely STA HK (as defined in Note 32), pursuant to which, XDC Changzhou had acquired the payload & linker business of STA Changzhou (the "**Payload & Linker Business**") at a total cash consideration of RMB280 million. This acquisition is accounted for using the acquisition accounting method. The transaction was completed on October 1, 2021. The pre-acquisition financial information of Payload & Linker Business is set out in Note 36.

The consideration for the above Transfers and acquisition are determined by reference to valuation reports prepared by the professional valuer independent to the Group and Biologics Cayman, namely 北京中鋒資產評估有限責任公司 (Beijing Zhongfeng Assets Appraisal Company#) with registered address of 8th Floor Block B Zhongguancun Intellectual Property Mansion, Haidian South Road No. 21, Beijing.

Basis of preparation and presentation

The Transfers have been reflected in the Historical Financial Information of the Group using the principle of merger accounting as if they had been combined from the date when the Group, XDC Wuxi and BCD Business Unit first came under the control of Biologics Cayman. Accordingly, the assets and liabilities of XDC Wuxi and BCD Business Unit have been accounted for in the consolidated statements of financial position of the Group at their existing book values from Biologics Cayman's perspective. No amount is recognized in respect of goodwill nor adjustment made in respect of differences between the fair values of XDC Wuxi and BCD Business Unit's identifiable assets, liabilities and contingent liabilities and their carrying amounts. The consolidated statement of profit or loss and other comprehensive income includes the results of XDC Wuxi and BCD Business Unit since the date when they first came under the common control of Biologics Cayman.

Prior to completing the transfer of BCD Business Unit to the Group, it was a business unit operated under Biologics Shanghai, a wholly-owned subsidiary of Biologics Cayman. To the extent the assets, liabilities, income and expenses that are specifically identified to the BCD Business Unit, such items are included in the Historical Financial Information throughout the Track Record Period. To the extent the assets, liabilities, income and expenses that are impracticable to identify specifically, these items are allocated to the BCD Business Unit on the basis set out below (such items include certain selling and marketing expenses, administrative expenses and income tax expense). Items that do not meet the criteria above are not included in the Historical Financial Information of the Group.

English name is for illustrative purpose only.

Expenses which are impracticable to identify specifically to the BCD Business Unit are determined on the following basis: (1) included in the administrative expenses are administrative and support department staff salaries and staff welfare which were allocated based on the percentage of headcount of the BCD Business Unit to the total headcount of Biologics Shanghai; (2) selling and marketing expenses incurred by Biologics Shanghai's marketing unit were allocated based on the percentage of BCD Business Unit's revenue to Biologics Shanghai's total revenue; and (3) income tax expense was calculated based on the tax rate of Biologics Shanghai as if the BCD Business Unit is a separate tax reporting entity. The directors of the Company believe that the method of allocation of the above expense items presents a reasonable basis of estimating what BCD Business Unit's operating results would have been on a stand-alone basis for the Track Record Period. Other than those items mentioned above, all other items of assets and liabilities, income and expenses of BCD Business Unit are specifically identified.

Pursuant to the Transfers and acquisition set out above, the Company became the holding company of the companies now comprising the Group and Biologics Cayman continues to be the Company's ultimate holding company.

3. APPLICATION OF NEW AND AMENDMENTS TO IFRSs

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently adopted the accounting policies which conform with IFRSs issued by the IASB, which are effective for the Group's accounting period beginning on January 1, 2023, throughout the Track Record Period.

New and amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendment to IFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[2]
Amendments to IAS 1	Non-current Liabilities with Covenants[2]
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements[2]
Amendments to IAS 21	Lack of Exchangeability[3]

1 Effective for annual periods beginning on or after a date to be determined

2 Effective for annual periods beginning on or after January 1, 2024

3 Effective for annual periods beginning on or after January 1, 2025

The directors of the Company anticipate that the application of the above new and amendments to IFRSs, will have no material impact on the Historical Financial Information in the foreseeable future.

4. BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION AND MATERIAL ACCOUNTING POLICY INFORMATION

4.1 Basis of preparation of Historical Financial Information

The Historical Financial Information has been prepared in accordance with the following accounting policies which conform with IFRSs issued by the IASB. For the purpose of preparation of Historical Financial Information, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Historical Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

4.2 Material accounting policy information

Basis of consolidation

The Historical Financial Information incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Business combinations

A business is an integrated set of activities and assets which includes an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired processes are considered substantive if they are critical to the ability to continue producing outputs, including an organized workforce with the necessary skills, knowledge, or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs and are considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

Acquisitions of businesses, other than business combination under common control are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

For business combinations in which the acquisition date is on or after January 1, 2022, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the Conceptual Framework for Financial Reporting issued by International Accounting Standards Board in March 2018 (the "Conceptual Framework") except for transactions and events within the scope of IAS 37 or IFRIC 21, in which the Group applies IAS 37 or IFRIC 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognized.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date (see the accounting policy below);

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale* and Discontinued Operations are measured in accordance with that standard; and

- lease liabilities are recognized and measured at the present value of the remaining lease payments (as defined in IFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which the lease term ends within 12 months of the acquisition date. Right-of-use assets are recognized and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or group of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

Investments in subsidiaries

Investments in subsidiaries are stated at cost less than any identified impairment loss on the statement of financial position of the Company.

Merger accounting for business combination involving businesses under common control

The Historical Financial Information incorporates the financial statements items of the combining businesses in which the common control combination occurs as if they had been combined from the date when the combining businesses first came under the control of the controlling party.

The net assets of the combining businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination.

The consolidated statements of profit or loss and the other comprehensive income include the results of each of the combining businesses from the earliest date presented or since the date when the combining businesses first came under the common control, where there is a short period.

The Historical Financial Information is presented as if the businesses had been combined at the beginning of the previous reporting period or when they first came under common control, whichever is shorter.

Revenue from contracts with customers

The Group recognizes revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a service (or a bundle of services) that is distinct or a series of distinct services that are substantially the same.

Control is transferred over time and revenue is recognized over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognized at a point in time when the customer obtains control of the distinct service.

A contract asset represents the Group's right to consideration in exchange for services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations (i.e. fee-for-service ("FFS")) contracts usually have multiple deliverable units, which are generally in the form of technical laboratory reports, samples and/or goods), the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis, except for the allocation of discounts and variable consideration.

The stand-alone selling price of the distinct service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation.

The selection of the method to measure progress towards completion requires judgement and is based on the nature of the services to be provided. Depending on which better depicts the transfer of value to the customer, the Group measures its progress using either services transferred to the customer to date (output method) or cost-to-cost (input method).

Output method:

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognize revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

As a practical expedient, if the Group has a right to consideration in an amount that corresponds directly with the value of the Group's performance completed to date (for example, service contracts in which the Group bills a fixed amount for each hour of service provided), the Group recognizes revenue in the amount to which the Group has the right to invoice.

Input method:

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognize revenue on the basis of the Group's costs incurred to date to the satisfaction of a performance obligation relative to the total expected costs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of services.

As a practical expedient, if the Group has a right to consideration in an amount that corresponds directly with the value of the Group's performance completed to date (for example, service contracts in which the Group bills a fixed amount for each hour of service provided), the Group recognizes revenue in the amount to which the Group has the right to invoice.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognizes revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

Contract costs

Costs to fulfil a contract

The Group incurs costs to fulfil a contact in its service contracts. The Group first assesses whether these costs qualify for recognition as an asset in terms of other relevant standards, failing which it recognizes an asset for these costs only if they meet all of the following criteria:

(a) the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;

(b) the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and

(c) the costs are expected to be recovered.

The asset so recognized is subsequently amortized to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate. The asset is also subject to impairment review.

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application of IFRS 16 or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Non-lease components are separated from lease component on the basis of their relative stand-alone prices and are accounted for by applying other applicable standards.

Short-term leases

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognized as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

When the Group obtains ownership of the underlying leased assets at the end of the lease term, upon exercising purchase options, the cost of the relevant right-of-use assets and the related accumulated depreciation and impairment loss are transferred to property, plant and equipment.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position. Right-of-use assets that meet the definition of investment property are presented within "investment property".

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognizes and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates as at the commencement date. Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognized as expense in the period in which the event or condition that triggers the payment occurs.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use assets.

When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recognized as receivables at commencement date at amounts equal to net investments in the leases, measured using the interest rate implicit in the respective leases. Initial direct costs are included in the initial measurement of the net investments in the leases. Interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognized as an expense on a straight-line basis over the lease term.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than functional currency of that entity (foreign currencies) are recognized at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognized in profit or loss in the period in which they arise.

For the purposes of presenting the Historical Financial Information, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Renminbi) using exchange rate prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve.

Research and other grants

Research and other grants are accounted for in accordance with IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*. Research and other grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Research and other grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate.

Research and other grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

Employee benefits

Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

Pension obligations

The Group participates in state-managed retirement benefit schemes, which are defined contribution schemes, pursuant to which the Group pays a fixed percentage of its qualifying staff's wages as contributions to the schemes. Payments to such retirement benefit schemes are charged as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognized at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognized as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognized for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Share-based payments

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payments to employees (including directors of the Company) are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (equity-settled share-based compensation reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled share-based compensation reserve.

When the share options are exercised, the amount previously recognized in equity-settled share-based compensation reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognized in equity-settled share-based compensation reserve will continue to be held in equity-settled share-based compensation reserve.

Equity instruments granted by the ultimate holding company to employees of the Group

The grant by the ultimate holding company of equity instruments under its employee stock incentive plan to the employees of the Group (including directors of the Company) is treated as equity-settled share-based payments in the Historical Financial Information. An expense for the grant date fair value of the equity instruments under the employee stock incentive plan is recognized over the vesting period of the instruments, with a corresponding increase in equity. The increase in equity is treated as a deemed capital contribution into the Group and is included in other reserve.

Restricted share award payment transactions

For shares granted by the ultimate holding company under WXB Restricted Share Award Scheme and WXB Global Partner Program Share Scheme ("Restricted Shares"), the fair value of the employee services received is determined by reference to the fair value of the Restricted Shares granted at the grant date and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (other

reserve). At the end of each reporting period, the Group revises its estimates of the number of Restricted Shares that are expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the estimates, if any, is recognized in the profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to other reserve.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognized if the temporary differences arises from the initial recognition of goodwill.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognizes the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to the lease liabilities and the related assets separately. The Group recognizes a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized and a deferred tax liability for all taxable temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be use by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Property, plant and equipment other than assets under construction in progress are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Property, plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets is functioning properly and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Sale proceeds of items that are produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management (such as samples produced when testing whether the asset is functioning properly), and the related costs of producing those items are recognized in the profit or loss. The cost of those items are measured in accordance with the measurement requirements of IAS 2. Depreciation of these assets, on the same basis as other assets, commences when the assets are ready for their intended use.

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use

assets" in the consolidated statements of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Depreciation is recognized so as to write off the cost of assets other than property, plant and equipment in the course of construction less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of the reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortization and any accumulated impairment losses. Amortization for intangible assets with finite useful lives is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

Internally-generated intangible asset — research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities is recognized if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognized separately from goodwill and are initially recognized at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortization and any accumulated impairment losses on the same basis as intangible assets that are acquired separately.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

Impairment on property, plant and equipment, right-of-use assets, contract costs and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets, contract costs and intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment, right-of-use assets, and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Before the Group recognizes an impairment loss for assets capitalized as contract costs under IFRS 15, the Group assesses and recognizes any impairment loss on other assets related to the relevant contracts in accordance with applicable standards. Then, impairment loss, if any, for assets capitalized as contract costs is recognized to the extent the carrying amounts exceeds the remaining amount of consideration that the Group expects to receive in exchange for related goods or services less the costs which relate directly

to providing those goods or services that have not been recognized as expenses. The assets capitalized as contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include cash, which comprises of cash on hand and demand deposits.

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs of inventories are determined on a weighted average method. Net realizable value represents the contracted selling price less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at FVTPL are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at FVTPL are recognized immediately in profit or loss.

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 *Business Combinations* applies.

In addition, the Group may irrevocably designate a financial asset that is required to be measured at the amortized cost or fair value through other comprehensive income ("FVTOCI") as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortized cost and interest income

Interest income is recognized using the effective interest method for financial assets measured subsequently at amortized cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets as FVTPL are measured at fair value at the end of each reporting, with any fair value gains or losses recognized in profit or loss. The net gain or loss recognized in profit or loss includes any interest earned on the financial asset and is included in the "other gains and losses" line item.

Impairment of financial assets and other items subject to impairment assessment under IFRS 9

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade receivables, receivables for purchase of raw materials on behalf of customers, other receivables, other long-term deposits and bank balances) and other item (including contract assets) which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment is done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognizes lifetime ECL for trade receivable and contract assets.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognizes lifetime ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 60 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 180 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognized in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for certain trade receivables/contract assets are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortized cost of the financial asset.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables, other receivables and contract assets where the corresponding adjustment is recognized through a loss allowance account.

Derecognition/modification of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

A modification of a financial asset occurs if the contractual cash flows are renegotiated or otherwise modified.

When the contractual terms of a financial asset are modified, the Group assesses whether the revised terms result in a substantial modification from original terms taking into account all relevant facts and circumstances including qualitative factors. If qualitative assessment is not conclusive, the Group considers the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial asset.

For non-substantial modifications of financial assets that do not result in derecognition, the carrying amount of the relevant financial assets will be calculated at the present value of the modified contractual cash flows discounted at the financial assets' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial assets and are amortized over the remaining term. Any adjustment to the carrying amount of the financial asset is recognized in profit or loss at the date of modification.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities at amortized cost

Financial liabilities including trade and other payables and loans from related parties are subsequently measured at amortized cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Derivative financial instruments

Derivatives are initially recognized at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognized in profit or loss unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Hedge accounting

The Group designates certain derivatives as hedging instruments for cash flow hedges.

At the inception of the hedging relationship the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

For the purpose of determining whether a forecast transaction (or a component thereof) is highly probable, the Group assumes that the interest rate benchmark on which the hedged cash flows (contractually or non-contractually specified) are based is not altered as a result of interest rate benchmark reform.

Assessment of hedging relationship and effectiveness

For hedge effectiveness assessment, the Group considers whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

For changes made to the hedged risk, hedged item or hedging instrument required by interest rate benchmark reform, the Group amends the formal designation of a hedging relationship to reflect the changes by the end of the reporting period during which the relevant changes were made. Such an amendment to the formal designation of the hedging relationship constitutes neither the discontinuation of the hedging relationship nor the designation of a new hedging relationship.

Cash flow hedges

The effective portion of changes in the fair value of derivatives instruments that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated under the heading of cash flow hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss, and is included in the "other gains and losses" line item.

When a hedged item in a cash flow hedge is amended to reflect the changes that are required by the interest rate benchmark reform, the amount accumulated in the cash flow hedge reserve is deemed to be based on the alternative benchmark rate on which the hedged future cash flows are determined.

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognized hedged item. Furthermore, if the Group expects that some or all of the loss accumulated in the cash flow hedging reserve will not be recovered in the future that amount is immediately reclassified to profit or loss.

Discontinuation of hedge accounting

The Group discontinues hedge accounting prospectively only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. Discontinuing hedge accounting can either affect a hedging relationship in its entirety or only a part of it (in which case hedge accounting continues for the remainder of the hedging relationship).

For cash flow hedge, any gain or loss recognized in other comprehensive income and accumulated in equity at that time remains in equity and is recognized when the forecast transactions is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumption are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations, that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the Historical Financial Information.

Performance obligation determination

For contracts that contain more than one performance obligations (i.e. FFS contracts usually have multiple deliverable units, which are generally in the form of technical laboratory reports, samples and/or goods), the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis, except for the allocation of discounts and variable consideration.

A performance obligation represents a good and service that is distinct or a series of distinct goods or services that are substantially the same. In certain sales contracts, the Group is required to fulfil multiple promised goods and/or services. In determining performance obligations, the management of the Group used judgements and interpretation of the contracts in identification of contractual components and related performance obligations, based on which the management of the Group concluded those goods and/or services as single or combined performance obligations.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the future periods.

Provision of ECL for trade receivables and contract assets

Trade receivables with significant balances and credit-impaired are assessed to ECL individually. In estimating ECL on trade receivables and contract assets, the Group uses the provision rates which are based on internal credit ratings as groupings of various debtors taking into consideration the Group's historical default rates and forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables and contract assets are disclosed in Note 33(c).

As at December 31, 2020, 2021 and 2022, and June 30, 2023, the carrying amounts of trade receivables are RMB23,890,000, RMB89,193,000 and RMB453,271,000, and RMB672,688,000 respectively.

As at December 31, 2020, 2021 and 2022, and June 30, 2023, the carrying amounts of contract assets are RMB1,028,000, RMB10,717,000 and RMB17,309,000, and RMB24,665,000 respectively.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated, which is the value in use. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit (or a group of cash-generating units) and an appropriate discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows or upward revision of discount rate, a material impairment loss may arise.

As at December 31, 2021, 2022 and June 30, 2023, the carrying amount of goodwill is RMB215,193,000. Details of the recoverable amount calculation are disclosed in Note 18.

Estimated impairment of property, plant and equipment, right-of-use assets and intangible assets

Property, plant and equipment, right-of-use assets and intangible assets are stated at costs less accumulated depreciation/amortization and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the cash-generating unit to which the assets belongs, including allocation of corporate assets when a reasonable and consistent basis of allocation can be established, otherwise recoverable amount is determined at the smallest group of cash-generating units, for which the relevant corporate assets have been allocated. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect recoverable amounts.

During the Track Record Period, the management of the Group assessed whether an event, has occurred or any indicators that may affect the asset value. The management concluded that there were no indications of impairment or the recoverable amounts of the related assets that may have impairment indications were higher than the carrying amounts, thus no impairment loss has been recognized on property, plant and equipment, right-of-use assets and intangible assets.

Impairment of contract costs

The Group assesses periodically if contract costs may not be recoverable based on an assessment of the remaining amount of consideration the Group expects to receive in exchange of goods or services. Impairment are applied to contract costs where events or changes in circumstances indicate that the remaining amount of consideration to receive less the costs directly related to providing goods or services that have not been recognized as expense is lower than the carrying amount of contract costs. The remaining amount of consideration to receive has been determined based on the remaining amount of consideration expected to be recognized upon the completion of the contract. Where the expectation is different from the original estimate, such difference will impact the carrying value of contract costs in the year in which such estimate changes.

As at December 31, 2020, 2021 and 2022, and June 30, 2023, the carrying amounts of contract costs are RMB13,875,000, RMB36,690,000 and RMB80,713,000, and RMB63,l34,000.

6. REVENUE AND SEGMENT INFORMATION

(i) Disaggregation of revenue from contracts with customers

The Group derives its revenue from the transfer of services at a point in time and over time in the following major service lines:

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Type of services					
Services					
– Research services on FFS basis	96,353	311,131	974,421	324,513	980,144
– Research services on full-time- equivalent ("FTE") basis	—	—	16,002	4,923	13,324
Total	96,353	311,131	990,423	329,436	993,468
Timing of revenue recognition					
A point in time					
– Research services on FFS basis	96,353	310,266	973,929	318,948	971,062
Over time					
– Research services on FFS basis	—	865	492	5,565	9,082
– Research services on FTE basis	—	—	16,002	4,923	13,324
Total	96,353	311,131	990,423	329,436	993,468

(ii) Performance obligations for contracts with customers

Research services on FFS basis

The Group primarily earns revenue by providing research services to its customers through FFS contracts. Contract duration ranges from few months to years.

Majority of FFS contracts entered by the Group contain multiple deliverable units, which are generally in the form of technical laboratory reports and/or samples, each with individual selling price specified in the contract. Usually, the Group identifies each deliverable unit as a separate performance obligation, and recognizes FFS revenue of contractual elements at the point upon acceptance of the deliverable units or after the end of a confirmation period. The contracts include payment schedules which require stage payments over the research period once certain specified milestones are reached. The Group's performance does not create an asset with alternative future use since the Group cannot redirect the asset for use on another customer, and at the same time the Group has a present right to payment from the customers for services performed only upon acceptance of the deliverable units, therefore, the directors of the Company have concluded that the performance obligation of such FFS contract is satisfied at a point in time and recognized the FFS revenue at a point in time.

In addition, usually there is a performance obligation embedded in the abovementioned FFS contracts namely project management service for which the directors of the Company have assessed that the customers simultaneously receive and consume benefit provided by the Group's performances. As such, the directors of the Company concluded that the performance obligation of the project management service is satisfied over time and the associated revenue is recognized over the service period using input method.

Research services on FTE basis

For the research services provided on a FTE basis, the Group provides its customer with a project team of employees dedicated to the customer's studies for a specific period of time and charges the customer at a fixed hourly/daily rate per employee. For the services under FTE model, the directors of the Company have assessed that the customers simultaneously receive and consume benefit provided by the Group's performances. Therefore, the performance obligation of FTE services is satisfied over time and FTE revenue is recognized over the service period. The customers shall pay the Group a prorated amount for the service based on the fixed rate per employee.

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

The aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) are nil, RMB475 million and RMB1,495 million, and RMB2,958 million as at December 31, 2020, 2021 and 2022, and June 30, 2023, respectively. The management of the Group expects the majority of the transaction price allocated to the unsatisfied contracts as of each reporting date during the reporting period will be recognized as revenue within five years from the reporting date.

For the purpose of resources allocation and performance assessment, the chief operating decision maker (i.e. the chief executive officer of the Company) reviews the overall results and financial position of the Group as a whole prepared based on the same accounting policies as set out in Note 4. Accordingly, the Group has only one single operating and reportable segment and no further analysis of this single segment is presented.

Geographical information

An analysis of the Group's revenue from customers, analyzed by their respective country/region of operation, is detailed below:

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue					
– North America	—	5,399	259,521	59,449	290,158
– the PRC	96,353	291,104	566,475	237,656	471,096
– Europe	—	5,265	128,647	22,491	213,363
– Rest of the world	—	9,363	35,780	9,840	18,851
	96,353	311,131	990,423	329,436	993,468

As at December 31, 2020, 2021 and 2022, the Group's non-current assets are all located in the PRC. As at June 30, 2023, except for non-current assets of the Group amounted to RMB1,421,000 are located in Singapore, the Group's remaining non-current assets are located in the PRC.

Information about major customers

Revenue from customers of the corresponding periods contributing over 10% of the total sales of the Group are as follows:

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Customer A *(note)*	81,041	252,420	375,466	237,156	140,484
Customer B *(note)*	N/A	N/A	N/A	N/A	131,199
Customer C *(note)*	N/A	N/A	N/A	N/A	129,844

Note: N/A: not disclosed as amount less than 10% of total revenue.

7. OTHER INCOME

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Rental and other related income *(note i)*	1,525	7,596	3,831	1,614	1,122
Sales of materials to related parties	246	445	1,930	1,313	3,730
Interest income from banks	31	28	4,612	562	3,424
Research and other grants related to income *(note ii)*	39,644	897	15,779	15,323	31,303
	41,446	8,966	26,152	18,812	39,579

Notes:

(i) In respect of the rental income, there are direct operating expenses incurred for investment property that generated rental income amounting to RMB406,000, RMB561,000 and RMB2,346,000 for the years ended December 31, 2020, 2021 and 2022, respectively, and RMB1,082,000 and RMB946,000 for the period ended June 30, 2022 (unaudited) and June 30, 2023, respectively.

(ii) The research and other grants received by the Group during the Track Record Period were mainly related to the Group's contribution to the local high-tech industry and economy. These grants are unconditional and accounted for as immediate financial support with neither future related costs expected to be incurred nor related to any assets of the Group.

8. OTHER GAINS AND LOSSES

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Net foreign exchange (loss)gain	(2,711)	(986)	46,284	25,455	(1,407)
Fair value gain on wealth management products	—	—	—	—	5,543
Others	—	131	388	224	325
	(2,711)	(855)	46,672	25,679	4,461

9. FINANCE COSTS

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Interest expense on loans from related parties	—	424	2,591	1,381	420
Interest expense on lease liabilities	—	69	325	192	149
	—	493	2,916	1,573	569

10. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging (crediting):

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Depreciation for property, plant and equipment	16,064	21,390	22,808	9,748	22,546
Depreciation for investment property	—	168	403	202	202
Depreciation of right-of-use assets	—	1,112	6,459	3,229	2,348
Amortization of intangible assets	565	2,218	10,342	3,417	3,601
	16,629	24,888	40,012	16,596	28,697
Staff cost (including directors' emoluments):					
– Salaries and other benefits	41,641	78,057	144,213	49,330	112,001
– Retirement benefits scheme contributions *(note)*	285	6,850	14,526	5,378	12,286
– Share-based payment expenses	6,476	22,157	38,626	10,595	34,847
	48,402	107,064	197,365	65,303	159,134
Less: Capitalized in contract costs and property, plant and equipment	(7,556)	(6,833)	(44,532)	(13,136)	(34,140)
	57,475	125,119	192,845	68,763	153,691

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Impairment losses recognized (reversed), under expected credit loss model, net of reversal					
– Trade receivables	281	10,562	41,047	(2,976)	(23,792)
– Contract assets	—	2	149	—	1,585
– Receivables for purchase of raw materials on behalf of customers	8	(6)	2,173	—	(2,175)
	289	10,558	43,369	(2,976)	(24,382)
[**REDACTED**] expenses	—	—	—	—	7,374
Auditors' remuneration	123	750	579	281	286
Write-down of inventories (included in cost of services)	—	363	448	385	380
Reversals of write-down of inventories (included in cost of services)	—	—	(328)	(327)	(107)
Write-down of contract costs (included in cost of services)	1	3,811	5,815	7,739	2,720
Reversals of write-down of contract costs (included in cost of services)	—	(1)	(3,810)	(3,810)	(1,955)
(Loss) gain on disposal of property, plant and equipment	—	(108)	(65)	(29)	19
Cost of inventories recognized as an expense	—	41,964	96,460	58,295	80,833

Note: During the year ended December 31, 2020, pursuant to the notice released by the relevant PRC authority, certain domestic subsidiaries of the Group have been fully or partially waived to undertake a number of retirement benefit scheme contributions and other social insurance.

11. INCOME TAX EXPENSES

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Current tax					
– the PRC Enterprise Income Tax ("EIT")	6,316	14,918	47,230	20,322	33,462
– Hong Kong profits tax	—	—	2,231	912	3,573
Deferred tax *(Note 19)*	(249)	(1,608)	(9,342)	(72)	2,780
Over provision in prior years	—	(1,387)	(49)	(39)	(5,461)
Total income tax expenses	6,067	11,923	40,070	21,123	34,354

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the EIT rate of the PRC subsidiaries is 25%.

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit.

For certain Group's subsidiaries operating in the PRC are eligible for certain concessions, which were accredited as "High and New Technology Enterprise" or "Micro and Small Enterprise" were therefore entitled to a preferential EIT rate or certain concessions.

The directors of the Company are of the view that it is very probable that the subsidiaries which are eligible for "High and New Technology Enterprise" tax preference are able to extend their accreditation upon expiry.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Profit before tax	32,366	66,853	195,801	119,390	211,568
Tax charge at the EIT rate of 25%	8,092	16,713	48,950	29,848	52,892
Tax effect of income that is exempt from taxation	—	—	(5,536)	(11)	(1,093)
Tax effect of expenses not deductible for tax purpose *(note)*	2,334	6,464	12,612	4,878	9,091
Over provision in respect of prior years	—	(1,387)	(49)	(39)	(5,461)
Effect of additional deduction on research and development expense	(381)	(1,605)	(2,438)	(1,048)	(5,855)

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Effect of unused tax losses not recognized as deferred tax assets	—	229	—	—	49
Utilization of tax losses previously not recognized as deferred tax assets	(1,802)	—	—	—	—
Tax at concessionary rates	(2,176)	(8,790)	(7,646)	(6,916)	(16,360)
Decrease in opening deferred tax assets resulting from a decrease in applicable tax rate	—	138	—	—	—
Effect of different tax rate of operating entities in other jurisdiction	—	161	(5,823)	(5,589)	1,091
Income tax expenses	6,067	11,923	40,070	21,123	34,354

Note: Tax effect of expenses not deductible for tax purpose was mainly resulted from share-based payment expenses.

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

Details of the emoluments paid or payable to the individuals who were appointed as the directors and chief executive of the Company (including emoluments for services as employees/directors of the group entities prior to becoming the directors of the Company), during the Track Record Period, disclosed pursuant to the applicable Listing Rules and Hong Kong Companies Ordinance, are as follows:

For the year ended December 31, 2020

	Date of appointment	Director's fee	Salaries and other benefits	Performance-based bonus	Retirement benefit scheme contributions	Share-based compensation	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive director and chief executive officer:							
Mr. Jincai Li	December 14, 2020 *(note i)*	—	1,341	504	—	939	2,784
Executive director and chief financial officer:							
Mr. Xiaojie Xi	June 30, 2023	—	—	—	—	—	—
Executive director and chief operating officer:							
Mr. Jerry Jingwei Zhang	June 30, 2023	—	1,200	480	—	739	2,419

	Date of appointment	Director's fee	Salaries and other benefits	Performance-based bonus	Retirement benefit scheme contributions	Share-based compensation	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-executive director:							
Mr. Zhisheng Chan	December 14, 2020 *(note ii)*	—	—	—	—	—	—
Mr. Weichang Zhou	December 14, 2020 *(note ii)*	—	—	—	—	—	—
Mr. Ming Shi.	June 30, 2023	—	—	—	—	—	—
Director:							
Mr. Ge Li.	December 14, 2020 *(note iii)*	—	—	—	—	—	—
Mr. Minzhang Chen	December 14, 2020 *(note iv)*	—	—	—	—	—	—
Mr. Steve Qing Yang	May 31, 2021	—	—	—	—	—	—
		—	2,541	984	—	1,678	5,203

For the year ended December 31, 2021

	Date of appointment	Director's fee	Salaries and other benefits	Performance-based bonus	Retirement benefit scheme contributions	Share-based compensation	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive director and chief executive officer:							
Mr. Jincai Li	December 14, 2020 *(note i)*	—	1,389	552	—	3,713	5,654
Executive director and chief financial officer:							
Mr. Xiaojie Xi	June 30, 2023	—	—	—	—	—	—
Executive director and chief operating officer:							
Mr. Jerry Jingwei Zhang	June 30, 2023	—	1,211	480	—	1,537	3,228
Non-executive director:							
Mr. Zhisheng Chan	December 14, 2020 *(note ii)*	—	—	—	—	—	—
Mr. Weichang Zhou	December 14, 2020 *(note ii)*	—	—	—	—	—	—
Mr. Ming Shi.	June 30, 2023	—	—	—	—	—	—

	Date of appointment	Director's fee	Salaries and other benefits	Performance-based bonus	Retirement benefit scheme contributions	Share-based compensation	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Director:							
Mr. Ge Li	December 14, 2020 *(note iii)*	—	—	—	—	—	—
Mr. Minzhang Chen	December 14, 2020 *(note iv)*	—	—	—	—	—	—
Mr. Steve Qing Yang	May 31, 2021	—	—	—	—	—	—
		—	2,600	1,032	—	5,250	8,882

For the year ended December 31, 2022

	Date of appointment	Director's fee	Salaries and other benefits	Performance-based bonus	Retirement benefit scheme contributions	Share-based compensation	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive director and chief executive officer:							
Mr. Jincai Li	December 14, 2020 *(note i)*	—	2,013	805	—	11,938	14,756
Executive director and chief financial officer:							
Mr. Xiaojie Xi	June 30, 2023	—	—	—	—	—	—
Executive director and chief operating officer:							
Mr. Jerry Jingwei Zhang	June 30, 2023	—	1,230	492	—	3,350	5,072
Non-executive director:							
Mr. Zhisheng Chan	December 14, 2020 *(note ii)*	—	—	—	—	—	—
Mr. Weichang Zhou	December 14, 2020 *(note ii)*	—	—	—	—	—	—
Mr. Ming Shi	June 30, 2023	—	—	—	—	—	—
Director:							
Mr. Minzhang Chen	December 14, 2020 *(note iv)*	—	—	—	—	—	—
Mr. Steve Qing Yang	May 31, 2021	—	—	—	—	—	—
		—	3,243	1,297	—	15,288	19,828

For the year ended June 30, 2022 (unaudited)

	Date of appointment	Director's fee	Salaries and other benefits	Performance-based bonus	Retirement benefit scheme contributions	Share-based compensation	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive director and chief executive officer:							
Mr. Jincai Li	December 14, 2020 *(note i)*	—	978	391	—	3,328	4,697
Executive director and chief financial officer:							
Mr. Xiaojie Xi	June 30, 2023	—	—	—	—	—	—
Executive director and chief operating officer:							
Mr. Jerry Jingwei Zhang	June 30, 2023	—	600	240	—	1,656	2,496
Non-executive director:							
Mr. Zhisheng Chan	December 14, 2020 *(note ii)*	—	—	—	—	—	—
Mr. Weichang Zhou	December 14, 2020 *(note ii)*	—	—	—	—	—	—
Mr. Ming Shi	June 30, 2023	—	—	—	—	—	—
Director:							
Mr. Minzhang Chen	December 14, 2020 *(note iv)*	—	—	—	—	—	—
Mr. Steve Qing Yang	May 31, 2021	—	—	—	—	—	—
		—	1,578	631	—	4,984	7,193

For the year ended June 30, 2023

	Date of appointment	Director's fee	Salaries and other benefits	Performance-based bonus	Retirement benefit scheme contributions	Share-based compensation	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive director and chief executive officer:							
Mr. Jincai Li	December 14, 2020 *(note i)*	—	1,035	414	—	5,023	6,472
Executive director and chief financial officer:							
Mr. Xiaojie Xi	June 30, 2023	—	415	166	3	—	584
Executive director and chief operating officer:							
Mr. Jerry Jingwei Zhang	June 30, 2023	—	699	276	—	1,620	2,595
Non-executive director:							
Mr. Zhisheng Chan	December 14, 2020 *(note ii)*	—	—	—	—	—	—
Mr. Weichang Zhou	December 14, 2020 *(note ii)*	—	—	—	—	—	—
Mr. Ming Shi	June 30, 2023	—	—	—	—	—	—
Director:							
Mr. Minzhang Chen	December 14, 2020 *(note iv)*	—	—	—	—	—	—
Mr. Steve Qing Yang	May 31, 2021	—	—	—	—	—	—
		—	2,149	856	3	6,643	9,651

Notes:

(i) Mr. Jincai Li was appointed as director on December 14, 2020, then re-designated to executive director with effect from June 30, 2023.

(ii) Mr. Zhisheng Chen and Mr. Weichang Zhou were appointed as director on December 14, 2020, then re-designated to non-executive director with effect from June 30, 2023.

(iii) Mr. Ge Li was appointed as director on December 14, 2020 and resigned on May 31, 2021.

(iv) Mr. Minzhang Chen was appointed as director on December 14, 2020 and resigned on June 30, 2023.

Five highest paid individuals' emoluments

The five highest paid employees of the Group included two directors of the Company whose emoluments are set out above throughout the Track Record Period. The emoluments of the remaining three individuals throughout the Track Record Period, were as follows:

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Salaries and other benefits	2,216	2,373	2,517	1,242	2,295
Performance-based bonus	719	792	826	410	780
Retirement benefit scheme contributions	45	85	95	47	—
Share-based compensation	2,005	4,265	6,327	2,395	1,565
	4,985	7,515	9,765	4,094	4,640

During the Track Record Period, no emoluments were paid by the Group to the directors of the Company or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors of the Company have waived any emoluments during the Track Record Period.

The emoluments of the five highest paid individuals were within the following bands:

	Number of individuals				
	2020	2021	2022	2022	2023
				(unaudited)	
HK$1,000,001 to HK$1,500,000	1	—	—	1	1
HK$1,500,001 to HK$2,000,000	1	—	—	1	1
HK$2,000,001 to HK$2,500,000	2	1	—	1	1
HK$2,500,001 to HK$3,000,000	—	1	1	—	1
HK$3,000,001 to HK$3,500,000	1	2	—	1	—
HK$4,000,001 to HK$4,500,000	—	—	2	—	—
HK$5,500,001 to HK$6,000,000	—	—	1	1	—
HK$6,500,001 to HK$7,000,000	—	1	—	—	—
HK$7,000,001 to HK$7,500,001	—	—	—	—	1
HK$17,000,001 to HK$17,500,000	—	—	1	—	—
	5	5	5	5	5

13. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to owners of the Company is based on the following data:

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Earnings:					
Earnings for the purpose of calculating basic and diluted earnings per share	26,299	54,930	155,731	98,267	177,214
	Number of shares				
Number of shares:					
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	600,000,000	600,000,000	881,643,836	680,000,000	1,000,000,000
Effect of dilutive potential ordinary shares					
Share options	—	—	—	—	23,010,525
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	600,000,000	600,000,000	881,643,836	680,000,000	1,023,010,525

The weighted average number of shares for the purpose of basic earnings per share for Track Record Period is calculated based on the assumptions as disclosed in Note 32 having been adjusted retrospectively after taking into account the impact of 400,000,000 shares paid up in April 2022.

No computation of diluted earnings per share for the years December 31, 2020 and 2021 as there were no potential dilutive ordinary shares in issue. The computation of diluted earnings per share for the year ended December 31, 2022 and for the six months ended June 30, 2022 (unaudited) does not assume the exercise of share option scheme granted by the Company as set out in Note 38 since their exercise prices plus fair value of services yet to be rendered are higher than the average share prices of the Company.

14. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the Track Record Period nor has any dividend been proposed since the end of the reporting period.

15. PROPERTY, PLANT AND EQUIPMENT

	Machinery	Furniture, fixtures and equipment	Land and buildings	Leasehold improvements	Construction in progress ("CIP")	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST						
As at January 1, 2020	60,838	3,505	—	84,883	132,305	281,531
Additions	2,083	115	—	—	51,319	53,517
Transfer in from CIP	20,025	2,831	114,304	12,596	(149,756)	—
Disposals	(1,074)	—	—	(156)	—	(1,230)
As at December 31, 2020	81,872	6,451	114,304	97,323	33,868	333,818
Additions	6,883	252	—	—	98,700	105,835
Transfer in from CIP	24,434	2,089	25	37,992	(64,540)	—
Transfer out to investment property	—	—	(13,383)	—	—	(13,383)
Disposals	(8,395)	(80)	—	(31,767)	(135)	(40,377)
As at December 31, 2021	104,794	8,712	100,946	103,548	67,893	385,893
Additions	16,752	5,838	—	—	464,684	487,274
Transfer in from CIP	58,114	9,609	—	35,433	(103,156)	—
Disposals	(577)	(12)	—	—	(1,221)	(1,810)
As at December 31, 2022	179,083	24,147	100,946	138,981	428,200	871,357
Additions	2,171	498	—	—	209,493	212,162
Transfer in from CIP	46,208	5,477	103,095	64,746	(219,526)	—
Disposals	(755)	(354)	—	—	—	(1,109)
As at June 30, 2023	226,707	29,768	204,041	203,727	418,167	1,082,410
DEPRECIATION						
As at January 1, 2020	(10,542)	(425)	—	(3,679)	—	(14,646)
Provided for the year	(8,842)	(567)	(2,212)	(4,443)	—	(16,064)
Eliminated on disposals	52	—	—	45	—	97
As at December 31, 2020	(19,332)	(992)	(2,212)	(8,077)	—	(30,613)
Provided for the year	(10,324)	(1,194)	(3,319)	(6,553)	—	(21,390)
Transfer out to investment property	—	—	168	—	—	168
Eliminated on disposals	541	26	—	1,059	—	1,626
As at December 31, 2021	(29,115)	(2,160)	(5,363)	(13,571)	—	(50,209)
Provided for the year	(10,499)	(3,655)	(2,916)	(5,738)	—	(22,808)
Eliminated on disposals	228	7	—	—	—	235
As at December 31, 2022	(39,386)	(5,808)	(8,279)	(19,309)	—	(72,782)
Provided for the period	(12,025)	(2,095)	(3,078)	(5,348)	—	(22,546)
Eliminated on disposals	299	174	—	—	—	473
As at June 30, 2023	(51,112)	(7,729)	(11,357)	(24,657)	—	(94,855)
CARRYING VALUES						
At December 31, 2020	62,540	5,459	112,092	89,246	33,868	303,205
At December 31, 2021	75,679	6,552	95,583	89,977	67,893	335,684
At December 31, 2022	139,697	18,339	92,667	119,672	428,200	798,575
As at June 30, 2023	175,595	22,039	192,684	179,070	418,167	987,555

Except for CIP, the above items of property, plant and equipment are depreciated on a straight-line basis after taking into account of the residual value as follows:

Machinery	9%-23% per annum
Furniture, fixtures and equipment	9%-23% per annum
Land and buildings	3% per annum
Leasehold improvements	20% per annum

16. INVESTMENT PROPERTY

The Group leases out an assembly center under operating lease with rentals payable annually. The lease runs for an initial period of 2 to 4 years with unilateral rights to extend the lease beyond initial period held by lessee only. The lease contract contains market review clauses in the event the lessee exercises the option to extend.

The lease contract does not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term.

	Leased property
	RMB'000
COST	
As at December 31, 2020	—
Transfer in from property, plant and equipment	13,383
As at December 31, 2021, 2022 and June 30, 2023	13,383
DEPRECIATION	
As at December 31, 2020	—
Charge for the year	(168)
As at December 31, 2021	(168)
Charge for the year	(403)
As at December 31, 2022	(571)
Charge for the period	(202)
As at June 30, 2023	(773)
CARRYING VALUES	
As at December 31, 2020	—
As at December 31, 2021	13,215
As at December 31, 2022	12,812
As at June 30, 2023	12,610

The fair value of the Group's investment property at December 31, 2021 and 2022, and June 30, 2023 were RMB13,619,000 and RMB13,431,000, and RMB13,288,000, respectively. The fair value has been arrived at based on a valuation carried out by PricewaterhouseCoopers Consultants (Shenzhen) Limited, Shanghai Branch with registered address of 42/F New Bund Center, 588 Dongyu Road, Pudong New Area, Shanghai 200126, PRC, independent valuer not connected with the Group.

The fair value was determined based on the income approach, where the market rentals of all lettable units of the properties are assessed and discounted at the market yield expected by investors for this type of properties. The market rentals are assessed by reference to the rentals achieved in the lettable units of the properties as well as other lettings of similar properties in the neighbourhood. The discount rate is determined by reference to the yields derived from analysing the sales transactions of similar commercial properties and adjusted to take into account the market expectation from property investors to reflect factors specific to the Group's investment property. There has been no change from the valuation technique used throughout the Track Record Period.

In estimating the fair value of the property, the highest and best use of the property is its current use.

Details of the Group's investment property and information about the fair value hierarchy as at the end of the reporting period are as follows:

	As at December 31,			As at June 30,
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Carrying amount				
Assembly center	—	13,215	12,812	12,610

	As at December 31,			As at June 30,
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Fair value at Level 2 hierarchy				
Assembly center	—	13,619	13,431	13,288

The above investment property is depreciated on a straight-line basis at the following rate per annum:

Assembly center	31 years

17. RIGHT-OF-USE ASSETS

The Group as lessee

	Leased properties
	RMB'000
As at December 31, 2020	
Carrying amount	—
As at December 31, 2021	
Carrying amount	2,223
As at December 31, 2022	
Carrying amount	5,280
As at June 30, 2023	
Carrying amount	4,529
For the year ended December 31, 2020	
Depreciation charge	—
For the year ended December 31, 2021	
Depreciation charge	1,112
For the year ended December 31, 2022	
Depreciation charge	6,459
For the period ended June 30, 2023	
Depreciation charge	2,348

	Year ended December 31,			Six months ended June 30,
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Expenses relating to short-term leases	862	1,659	3,122	4,955
Total cash outflow for leases	862	1,659	9,172	7,436
Additions to right-of-use assets	—	2,180	9,516	1,597

Throughout the Track Record Period, the Group leases various offices and laboratories for its operations. Lease contracts are entered into for a fixed term of 1.5 to 6 years, but may have extension options as described in Note 5. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group regularly entered into short-term leases for equipment, offices and laboratories. As at December 31, 2020, 2021 and 2022, and June 30, 2023, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expenses are disclosed above.

Restrictions or covenants on leases

As at December 31, 2020, 2021 and 2022, and June 30, 2023, lease liabilities of nil, RMB2,249,000, RMB6,040,000 and RMB5,305,000, are recognized with related right-of-use assets of nil, RMB2,223,000 and RMB5,280,000, RMB4,529,000 respectively. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes. The Group is restricted from assigning and subleasing the leased assets outside the Group.

18. GOODWILL

	Acquisition of Payload and Linker Business
	RMB'000
COST AND CARRYING VALUES	
As at December 31, 2021, 2022, and June 30, 2023	215,193

The goodwill amounted to RMB215,193,000 was arising from the Group's acquisition of Payload and Linker Business during the year ended December 31, 2021.

For the purposes of impairment testing, the acquired Payload and Linker Business is allocated as an individual cash-generating unit (the "Payload and Linker Unit"). The recoverable amount of the Payload and Linker Unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period.

The following table sets out the key assumptions for the value in use calculation of the Payload and Linker Unit.

	As at December 31,	
	2021	2022
	RMB'000	RMB'000
Pre-tax discount rate *(note i)*	16%	17%
Expected annual growth rate in 5 years *(note ii)*	10.0%-30.0%	5.0%-30.0%

Notes:

i. Pre-tax discount rate applied reflects the current market assessments of the time value of money and the risks specific to the Payload and Linker Unit.

ii. The estimation of expected annual growth rate is based on the revenue backlog and management's expectation for the market development.

The cash flows beyond the 5-year period are extrapolated using a growth rate based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry.

The management of the Group performed sensitivity test on the key assumptions by increasing 1% of pre-tax discount rate or decreasing of 5% expected annual growth rate, with all other variables held constant. The impact on the amount by which the goodwill's recoverable amount above its carrying amount (headroom) are as below:

	As at December 31,	
	2021	2022
	RMB'000	RMB'000
Headroom	N/A *(note)*	83,068
Impact by increasing pre-tax discount rate of 1%	(26,373)	(32,019)
Impact by decreasing annual growth rate of 5%	(45,513)	(47,174)

Note: As the acquisition date of Payload and Linker Business was near the end of financial year 2021, the management of the Group considers recoverable amount approximates the carrying amount as at December 31, 2021.

Impairment assessment as at June 30, 2023

In accordance with the Group's accounting policies, goodwill is tested for impairment on an annual basis at each year end. As at June 30, 2023, the management was not aware of any significant adverse changes on the Payload and Linker Unit, which indicates that the carrying amount of the Payload and Linker Unit exceeds the recoverable amount. Consequently, no interim impairment assessment as at June 30, 2023 was performed.

Based on the above assessment, management of the Group determines that there is no impairment on the Payload and Linker Unit during and at the end of the reporting period. Management of the Group believes that any reasonably possible change in any of these assumptions would not result in impairment.

19. DEFERRED TAXATION

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is a summary of the deferred tax balances for financial reporting purposes:

	As at December 31,			As at June 30,
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax assets	387	1,995	11,540	8,557
Deferred tax liabilities	(556)	(382)	—	—
	(169)	1,613	11,540	8,557

The following are the major deferred tax assets and liabilities recognized and movements thereon before offsetting during the reporting periods:

	Allowance on inventories and credit losses	Lease liability under IFRS 16	Right-of-use assets under IFRS 16	Derivative financial instruments	Accrued expenses	Tax losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2020	—	—	—	—	138	—	138
Credited to profit or loss	44	—	—	—	205	—	249
Charged to other comprehensive income ("OCI")	—	—	—	(556)	—	—	(556)
As at December 31, 2020	44	—	—	(556)	343	—	(169)
Credited (charged) to profit or loss	1,638	563	(556)	—	(37)	—	1,608
Credited to OCI	—	—	—	174	—	—	174
As at December 31, 2021	1,682	563	(556)	(382)	306	—	1,613
Credited (charged) to profit or loss	8,551	592	(441)	—	640	—	9,342
Credited to OCI	—	—	—	585	—	—	585
As at December 31, 2022	10,233	1,155	(997)	203	946	—	11,540
(Charged) credited to profit or loss	(3,936)	5	(19)	—	—	1,170	(2,780)
Charged to OCI	—	—	—	(203)	—	—	(203)
As at June 30, 2023	6,297	1,160	(1,016)	—	946	1,170	8,557

As at December 31, 2020, 2021 and 2022, and June 30, 2023, the Group had unused tax losses of nil, RMB915,000, nil, and RMB4,875,000, respectively available to offset against future profits. As at December 31, 2020, 2021 and 2022, no deferred tax asset has been recognized in respect of these unused tax losses due to the unpredictability of future profit streams. As at June 30, 2023, a deferred tax asset has been recognized, in respect of approximately RMB4,678,000 of such losses, and no deferred tax has been recognized in respect of the remaining approximately RMB197,000 due to the unpredictable of future profit streams.

The unrecognized tax losses as at December 31, 2020, 2021 and 2022, and June 30, 2023 include nil, RMB203,000 and nil, and RMB197,000 of the losses arising from subsidiaries located in Hong Kong and Singapore which will be carried forward indefinitely until it's fully offset. The remaining unrecognized tax losses will be carried forward and expire in years as follows:

	As at December 31,			As at June 30,
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
2024	—	—	—	—
2025	—	—	—	—
2026	—	712	—	—
2027	—	—	—	—
2028	—	—	—	—
Indefinitely	—	203	—	197
	—	915	—	197

20. INTANGIBLE ASSETS

	Technology	License	Customer relationship	Total
	RMB'000	RMB'000	RMB'000	RMB'000
COST				
As at January 1, 2020	1,838	—	—	1,838
Additions	3,600	—	—	3,600
As at December 31, 2020	5,438	—	—	5,438
Acquisition of Payload and Linker Business	—	—	58,400	58,400
As at December 31, 2021 and 2022	5,438	—	58,400	63,838
Additions	—	10,000	—	10,000
As at June 30, 2023	5,438	10,000	58,400	73,838
AMORTIZATION				
As at January 1, 2020	(65)	—	—	(65)
Charge for the year	(565)	—	—	(565)
As at December 31, 2020	(630)	—	—	(630)
Charge for the year	(668)	—	(1,550)	(2,218)
As at December 31, 2021	(1,298)	—	(1,550)	(2,848)
Charge for the year	(4,140)	—	(6,202)	(10,342)

	Technology	License	Customer relationship	Total
	RMB'000	RMB'000 (note i)	RMB'000 (note ii)	RMB'000
As at December 31, 2022	(5,438)	—	(7,752)	(13,190)
Charge for the period	—	(500)	(3,101)	(3,601)
As at June 30, 2023	(5,438)	(500)	(10,853)	(16,791)
CARRYING VALUES				
As at December 31, 2020	4,808	—	—	4,808
As at December 31, 2021	4,140	—	56,850	60,990
As at December 31, 2022	—	—	50,648	50,648
As at June 30, 2023	—	9,500	47,547	57,047

Notes:

(i) License fee paid is amortized on a straight-line basis over its estimated useful life of 5 years which represents the average duration of contracts benefit from the license estimated by the management of the Group.

(ii) Customer relationship was recognized as a result of the acquisition of Payload and Linker Business in 2021. The amount represented the intellectual property and existing customer relationships which have finite useful life and are amortized on a straight-line basis over their estimated useful lives of 9 years which was estimated by the management of the Group as at the acquisition date based on the expected duration of business relationships with customers of Payload and Linker Business with reference to the historical attrition pattern.

21. FINANCIAL ASSETS AT FVTPL

	As at December 31,			As at June 30,
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Current asset				
Wealth management products *(note)*	—	—	400,000	—

Note: During the year ended December 31, 2022 and six months ended June 30, 2023, the Group entered into contracts of wealth management products with a bank with maturity term within 12 months. The returns of the wealth management products are determined by reference to the performance of the underlying instruments in the currency market, therefore they are recognized as financial assets at FVTPL. The weighted average return rate is 3.7% and 9.4% for the year ended December 31, 2022 and six months ended June 30, 2023, respectively.

The Group has redeemed all the wealth management products as at June 30, 2023.

Details of the fair value measurement of the financial assets at FVTPL are set out in Note 33(d).

22. INVENTORIES

	As at December 31,			As at June 30,
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Raw material and consumables	7,678	23,786	62,934	47,403

Raw materials and consumables are net of a write-down of approximately nil, RMB363,000, RMB483,000 and RMB756,000 as at December 31, 2020, 2021 and 2022, and June 30, 2023.

23. CONTRACT COSTS

	As at December 31,			As at June 30,
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Costs to fulfill contracts	13,875	36,690	80,713	63,134

Contract costs are net of a write-down of approximately RMB1,000, RMB3,810,000 and RMB2,005,000, and RMB765,000 for the years ended December 31, 2020, 2021 and 2022, and six months ended June 30, 2023.

24. TRADE AND OTHER RECEIVABLES

The Group

	As at December 31,			As at June 30,
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables from contracts with customers				
– related parties	18,347	63,209	134,666	88,748
Less: allowance for credit losses	(261)	(6,405)	(13,520)	(3,349)
– third parties	5,824	36,827	370,495	612,038
Less: allowance for credit losses	(20)	(4,438)	(38,370)	(24,749)
	23,890	89,193	453,271	672,688
Receivables for purchase of raw materials on behalf of customers	363	1,096	5,246	—
Less: allowance for credit losses	(8)	(2)	(2,175)	—
	355	1,094	3,071	—

	As at December 31,			As at June 30,
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Advances to suppliers				
– third parties	1,460	413	937	815
Other receivables				
– related parties	38	43,210	2,312	4,753
– third parties	2,649	860	581	641
Deferred issue cost	—	—	—	1,054
Prepayments	21	107	214	851
Value added tax recoverable	15,647	15,359	45,218	76,443
Total trade and other receivables	44,060	150,236	505,604	757,245

Details of the trade and other receivables due from related parties are set out in Note 37(b).

The Group allows a credit period ranging from 10 to 90 days to its customers. The following is an aged analysis of trade receivables (net of allowance for credit losses) presented based on the invoice dates:

	As at December 31,			As at June 30,
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Not past due	1,221	81,187	273,897	401,805
Overdue:				
– Within 90 days	18,329	5,422	141,332	165,468
– 91 days to 1 year	4,340	2,584	36,301	98,196
– Over 1 year	—	—	1,741	7,219
	23,890	89,193	453,271	672,688

As at December 31, 2020, 2021 and 2022, and June 30, 2023, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB22,669,000, RMB8,006,000 and RMB179,374,000, and RMB270,883,000, respectively, which are past due as at the reporting date. Out of the past due balances, RMB4,340,000, RMB2,584,000 and RMB38,042,000, and RMB105,415,000 has been past due 90 days or more and is not considered as in default as the management of the Group believed that the amounts will be settled by the customers based on the customers' committed promise and historical experience. The Group does not hold any collateral over these balances.

Details of impairment assessment of trade receivables, other receivables and receivables for purchase of raw materials on behalf of customers are set out in Note 33(c).

Trade and other receivables that are denominated in currencies other than the functional currency of the respective group entities are set out below:

	As at December 31,			As at June 30,
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
US$	18,384	87,904	364,454	424,574
Euro ("EUR")	—	—	17,861	2,194

The Company

	As at December 31,			As at June 30,
	2020	2021	2022	2023
Deferred issue cost	—	—	—	1,054

25. CONTRACT ASSETS

	As at December 31,			As at June 30,
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Contract assets				
– related parties	—	7,684	7,685	7,685
Less: allowance for credit losses	—	(2)	(44)	(73)
– third parties	1,028	3,035	9,775	18,716
Less: allowance for credit losses	—	—	(107)	(1,663)
	1,028	10,717	17,309	24,665

The contract assets primarily relate to the Group's right to consideration for work completed and not billed because the rights are conditioned upon the Group's future performance in achieving specified milestones as stipulated in the contract. The contract assets are transferred to trade receivables when the rights become unconditional.

Typical payment terms which impact on the amount of contract assets recognized are as follows:

— **Revenue on FFS basis**

The Group's FFS contracts include payment schedules which require stage payments over the research or manufacturing period once certain specified milestones are reached or control of goods are transferred to customers. The Group requires certain customers to pay 20%-50% of total contract value as project start-up cost as part of its credit risk management policies.

The Group classifies these contract assets as current because the Group expects to realize these contracts assets in their normal operating cycle.

Details of the impairment assessment of contract assets are set out in Note 33(c).

26. BANK BALANCES AND CASH

Bank balances and cash of the Group comprised of cash and short term bank deposits with an original maturity of three months or less. The short term bank deposits are carried interests at market rates which ranged from 0% to 2.38%, 0% to 2.1% and 0% to 2.03%, and 0% to 4.2% per annum for the years ended December 31, 2020, 2021 and 2022, and six months ended June 30, 2023 respectively.

The Group performed impairment assessment on bank balances and concluded that the associated credit risk is limited because the counterparties are banks with high credit rating and good reputation.

Bank balances and cash that are denominated in currencies other than the functional currency of the respective group entities are set out below:

	As at December 31,			As at June 30,
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
US$	22,776	6,020	184,656	139,649
EUR	—	—	5,540	8,716
HK$	—	—	5	1,663

27. TRADE AND OTHER PAYABLES

	As at December 31,			As at June 30,
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables				
– related parties	24	22,505	457,295	484,756
– third parties	4,520	10,285	23,537	21,928
	4,544	32,790	480,832	506,684
Other payables and accrual				
– related parties	1,692	41,267	109,153	131,672
– third parties	3,333	17,131	25,060	20,780
Payable for purchase of property, plant and equipment	14,273	25,543	116,870	79,934
Consideration payable to a related party for acquisition of Payload and Linker Business	—	280,000	—	—

	As at December 31,			As at June 30,
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Consideration payable to a related party for acquisition of XDC Wuxi	—	404,413	—	—
Consideration payable to a related party for acquisition of BCD Business Unit	—	—	15,587	5,710
Salary and bonus payables	7,824	11,253	24,589	19,137
Accrued [**REDACTED**] expenses	—	—	—	6,785
Accrued issue cost	—	—	—	950
Other taxes payable	414	6,256	1,222	1,497
Trade and other payables	32,080	818,653	773,313	773,149

Details of the trade and other payables due to related parties are set out in Note 37(b).

Payment terms with suppliers are mainly on credit within 90 days from the time when the goods are received from the suppliers. The following is an aged analysis of trade payables presented based on invoice date at the end of the reporting period:

	As at December 31,			As at June 30,
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Within 90 days	3,439	30,838	432,756	500,563
91 days to 1 year	1,105	1,930	47,853	5,732
1 to 2 years	—	22	223	360
Over 2 years	—	—	—	29
	4,544	32,790	480,832	506,684

Trade and other payables that are denominated in currencies other than the functional currency of the respective group entities are set out below:

	As at December 31,			As at June 30,
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
US$	20	25,688	206,525	240,153
EUR	373	75	740	131
CHF	—	—	483	737

The Company

	As at December 31,			As at June 30,
	2020	2021	2022	2023
Other payables and accruals				
– related parties	—	383	718	908
– third parties	—	586	1,094	1,388
Accrued [**REDACTED**] expenses	—	—	—	6,785
Accrued issue cost	—	—	—	950
	—	969	1,812	10,031

28. LOANS FROM RELATED PARTIES

	As at December 31,			As at June 30,
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Loan from ultimate holding company:				
Biologics Cayman	—	619	300	—
Loans from fellow subsidiaries:				
WuXi Biologics Co., Ltd ("WABIO")	—	21,724	844	—
WuXi Biologics Biosafety Testing (Suzhou) Co., Ltd. ("WADT")	—	—	70,000	—
Biologics Shanghai	—	—	—	—
	—	22,343	71,144	—

The loans from related parties are non-trade related, unsecured, repayable on demand and carry interest at the fixed rate of nil, ranging from 1.50% to 1.85% and 1.75% to 4.58%, and 1.86% to 4.58% per annum for the years ended December 31, 2020, 2021 and 2022, respectively. The loans had been repaid in full on April 21, 2023.

29. CONTRACT LIABILITIES

	As at December 31,			As at June 30,
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Current				
Contract liabilities				
– third parties	151	10,020	151,450	232,418

As at January 1, 2020, contract liabilities amounted to nil.

Revenue of nil, RMB151,000 and RMB10,020,000, and RMB131,666,000 were recognized during the years ended December 31, 2020, 2021 and 2022, and six months ended June 30, 2023, respectively that were included in the contract liabilities at the beginning of the relevant reporting periods.

Typical payment terms which impact on the amount of contract liabilities recognized are as follows:

— **Revenue on FFS basis**

The Group normally requires certain customers to pay 20% to 50% of total contract value as down payment as project start-up cost as part of its credit risk management policies. The advance payment schemes result in contract liabilities which represent the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

30. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

	Assets			
	As at December 31,			As at June 30,
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Derivatives under hedge accounting				
Cash flow hedges				
– Foreign currency forward	2,224	2,549	799	—

	Liabilities			
	As at December 31,			As at June 30,
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Derivatives under hedge accounting				
Cash flow hedges				
– Foreign currency forward	—	—	2,147	—

Derivatives under hedge accounting

In view of the management of the Group, the foreign currency forward contracts are highly effective hedging instruments and qualified as cash flow hedges.

For the years ended December 31, 2020, 2021 and 2022, certain subsidiaries of the Group entered into foreign currency forward contracts with a fellow subsidiary of Biologics Cayman, which is acting as corporate treasury function within the WuXi Biologics group (as defined in Note 37) for entering into hedging contracts with external banks, to minimize the exposure to fluctuations in foreign currency

exchange rate arising from anticipated foreign currency sales transactions, in particular, the exchange rate between US$ and RMB for foreign currency sales transactions which is designated as cash flow hedges. The major terms of these contracts on a net settlement basis as at each relevant Track Record Period presented are as follows:

As at December 31, 2020

	Average strike/ forward rate	Foreign currency	Total outstanding notional value	Fair value assets	Fair value liabilities
		US$'000	RMB'000	RMB'000	RMB'000
Sell US$					
Less than 3 months	6.5520-7.1787	1,047	7,407	552	—
3 to 6 months	6.5984-7.2870	1,877	13,407	1,052	—
7 to 12 months	6.6312-6.9715	3,439	23,469	620	—

As at December 31, 2021

	Average strike/ forward rate	Foreign currency	Total outstanding notional value	Fair value assets	Fair value liabilities
		US$'000	RMB'000	RMB'000	RMB'000
Sell US$					
Less than 3 months	6.5995-6.7465	4,755	31,789	1,330	—
3 to 6 months	6.5175-6.7115	6,237	41,124	918	—
7 to 12 months	6.5080-6.6502	10,366	67,722	301	—

As at December 31, 2022

	Average strike/ forward rate	Foreign currency	Total outstanding notional value	Fair value assets	Fair value liabilities
		US$'000	RMB'000	RMB'000	RMB'000
Sell US$					
Less than 3 months	6.4105-7.0525	5,805	38,374	68	(1,985)
4 to 6 months	6.8210-7.0185	2,119	14,655	141	(88)
7 to 11 months	6.7130-7.0050	4,607	32,037	590	(74)

As at December 31, 2020, 2021 and 2022, the aggregate amount after tax under foreign currency forward contracts recognized in other comprehensive income relating to the exposure on anticipated future sales transactions in US$ was gains of RMB1,668,000, gains of RMB2,167,000 and losses of RMB1,146,000. The Group separates the intrinsic value and time value of forward extra contracts, designating only the intrinsic value as the hedging instrument. The time value, including any gains or losses, is recognized in other comprehensive income until the hedged transaction occurs and is recognized in profit or loss. It is anticipated that the sales denominated in US$ related to foreign currency forward contracts will take place within next 12 months as at December 31, 2020, 2021 and 2022 at which time the amount deferred in equity will be recycled to profit or loss.

During the years ended December 31, 2020, 2021 and 2022, and six months ended June 30, 2023, the aggregated amount of previously recognized in comprehensive income and accumulated in equity of gains of RMB733,000, gains of RMB6,103,000 and losses of RMB4,661,000, and losses of RMB611,000 are reclassified to revenue when the hedged item affects profit or loss.

31. LEASE LIABILITIES

	As at December 31,			As at June 30,
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Lease liabilities payable:				
Within one year	—	2,249	4,413	2,828
Within a period of more than one year but not exceeding two years	—	—	1,627	2,477
	—	2,249	6,040	5,305
Less: amounts due within one year shown under current liabilities	—	(2,249)	(4,413)	(2,828)
Amounts shown under non-current liabilities	—	—	1,627	2,477

For the years ended December 31, 2020, 2021 and 2022, and six months ended June 30, 2023, the weighted average incremental borrowing rate applied to lease liabilities is nil, 4.75% and 4.90%, and 4.90%.

32. SHARE CAPITAL

AUTHORIZED:

	Number of shares	Par value	Authorized share capital
		US$	US$
On incorporation and as at December 31, 2020	50,000	1	50,000
Subdivision on September 13, 2021 and balance as at December 31, 2021 and 2022 *(notes iii and iv)*	1,000,000,000	0.00005	50,000
Creation of new shares *(note vi)*	9,000,000,000	0.00005	450,000
As at June 30, 2023	10,000,000,000	0.00005	500,000

ISSUED AND FULLY PAID:

	Number of shares	Par value	Share capital		Share premium
		US$	US$	RMB'000 equivalent	RMB'000 equivalent
As at January 1, 2020	—	—	—	—	—
Issue of new shares *(note i)*	1	1	1	*	—
As at December 31, 2020	1	1	1	*	—
Repurchase *(note i)*	(1)	1	(1)	—	—
Issue of new shares *(note ii)*	5	1	5	*	—
	5	1	5	*	—
After subdivision:					
Subdivision of 5 shares into 100,000 shares of US$0.00005 each *(note iii)*	100,000	0.00005	5	*	—
Issue of new shares *(note iv)*	999,900,000	0.00005	N/A	N/A	N/A
As at December 31, 2021	1,000,000,000	0.00005	5	*	—
Cancellation of shares *(note v)*	(400,000,000)	0.00005	N/A	N/A	N/A
Shares fully paid *(note iv)*	N/A	N/A	49,995	319	1,285,143
Re-issue of shares *(note v)*	400,000,000	0.00005	N/A	N/A	N/A
As at December 31, 2022 and June 30, 2023	1,000,000,000	0.00005	50,000	319	1,285,143

Notes:

i. On December 14, 2020, the Company issued 1 new ordinary share to the initial subscriber at cash consideration of US$1. On the same day, the ordinary share was transferred to Biologics Cayman at the same cash consideration. Subsequent on June 4, 2021, the Company repurchased the 1 ordinary share from Biologics Cayman at same cash consideration.

ii. On June 4, 2021, the Company issued and allotted 3 and 2 new ordinary shares at par value of US$1 per share for cash consideration to Biologics Cayman and STA Pharmaceutical Hong Kong Investment Limited ("STA HK"), respectively.

iii. Further on September 13, 2021, the Company subdivided each ordinary share of a par value of US$1 per share to 20,000 ordinary shares of a par value of US$0.00005 per share.

iv. On September 29, 2021, additional 599,940,000 shares and 399,960,000 shares were issued and allotted at par to Biologics Cayman and STA HK, respectively. After the subdivision and the second allotment of shares, Biologics Cayman and STA HK held 600,000,000 and 400,000,000 shares, representing 60% and 40% shareholding in the Company, respectively. The total cash consideration for these shares amounted to approximately RMB1,285,462,000 was paid up in April 2022, to which RMB1,285,143,000 was recognized in share premium.

v. The 400,000,000 shares held by STA HK were cancelled on January 28, 2022, and re-issued on June 8, 2022, respectively.

vi. On June 30, 2023, the authorized share capital of the Company was increased from 1,000,000,000 ordinary shares to 10,000,000,000 ordinary shares by the creation of 9,000,000,000 ordinary shares at par value of US$0.00005 each.

* Amount below RMB1,000.

33. FINANCIAL INSTRUMENTS

a. Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concern while maximizing the return to shareholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of net debt, which includes loans from related parties and lease liabilities disclosed in Notes 28 and 31 respectively, net of cash and cash equivalents, and equity attributable to the Company, comprising issued share capital and reserves. The directors of the Company review the capital structure on a continuous basis taking into account the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the issue of new shares and bank borrowing, if necessary.

b. Categories of financial instruments

	As at December 31,			As at June 30,
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets				
Financial assets at amortized cost	55,472	160,832	794,207	1,241,149
Financial assets at FVTPL	—	—	400,000	—
Derivative financial assets	2,224	2,549	799	—
Financial liabilities				
Financial liabilities at amortized cost	17,899	813,236	777,891	726,548
Derivative financial liabilities	—	—	2,147	—

c. Financial risk management objectives and policies

The Group's major financial assets and liabilities include trade and other receivables, financial assets at FVTPL, derivative financial assets, other long-term deposits, bank balances and cash, derivative financial liabilities, trade and other payables and loans from related parties. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

The Group's activities expose it primarily to currency risk. There had been no change in the Group's exposure to this risk or the manner in which it managed and measured the risk during the Track Record Period.

Currency risk

Certain group entities have foreign currency transactions, including sales, which expose the Group to foreign currency risk. Certain of the Group's bank balances and cash, trade and other receivables and trade and other payables are denominated in currencies other than the functional currency of the relevant group entities and expose to such foreign currency risk. The carrying amounts of relevant group entities' foreign currency denominated monetary assets and liabilities other than their functional currency are disclosed in the respective notes.

The carrying amounts of the Group's foreign currency denominated monetary assets (trade and other receivables and bank balances and cash) and liabilities (trade and other payables and loans from related parties) at the end of the reporting period are as follows:

	As at December 31,			As at June 30,
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Assets				
US$	41,160	93,924	549,110	564,223
EUR	—	—	23,401	10,910
HK$	—	—	5	1,663
Liabilities				
US$	20	25,688	206,525	240,153
EUR	373	75	740	131
CHF	—	—	483	737

Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against US$, EUR, CHF and HK$, the foreign currencies with which the Group may have a material exposure. No sensitivity analysis has been disclosed for the CHF and HK$ denominated assets/liabilities as the impact on profit is immaterial. 5% represents management's assessment of the reasonably possible change in foreign exchange rate. The sensitivity analysis uses outstanding foreign currency denominated monetary items as a base and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rate. A negative number below indicates a decrease in post-tax profit where RMB strengthens 5% against the relevant currency. For a 5% weakening of RMB against the relevant currency, there would be an equal and opposite impact an post-tax profit and the amounts below would be positive.

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Impact on profit or loss sensitivity:					
US$	(1,671)	(2,804)	(13,624)	(7,739)	(13,572)
EUR	15	3	(901)	(140)	(451)

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate loans from related parties and lease liabilities (see Notes 28 and 31 for details). The Group currently does not have any interest rate hedging policy. The management of the Group monitors the Group's exposure on an on-going basis and will consider hedging interest rate risk should the need arises.

The Group is also exposed to cash flow interest rate risk in relation to bank balances.

Sensitivity analysis

Bank balances are excluded from sensitivity analysis as the management considers that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant.

Credit risk and impairment assessment

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's credit risk exposures are primarily attributable to trade and other receivables, contract assets, other long-term deposits, financial assets at FVTPL, and bank balances and cash. At the end of each reporting period, the Group's maximum exposure to credit risk which cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognized financial assets as stated in the consolidated statement of the financial position.

In order to minimize credit risk, the Group has developed and maintained the Group's credit risk grading to categorize exposures according to their degree of risk of default. Management uses publicly available financial information and the Group's own historical repayment records to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and reviewed at the end of the reporting period to ensure the adequate impairment losses are made for irrecoverable amount.

The Group's current credit risk grading framework comprises the following categories:

Internal credit rating	Description	Trade receivables/ contract assets	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past due amounts	Lifetime ECL-not credit-impaired	12-month ECL
Watch list.	Debtor frequently repays after due dates but usually settle after due date in full	Lifetime ECL-not credit-impaired	12-month ECL
Doubtful	There has been a significant increase in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL-not credit-impaired	Lifetime ECL-not credit-impaired

Internal credit rating	Description	Trade receivables/ contract assets	Other financial assets
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL-credit-impaired	Lifetime ECL-credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

The tables below detail the credit risk exposures of the Group's financial assets and contract assets which are subject to ECL assessment:

			As at December 31,			As at June 30,
			2020	2021	2022	2023
	Internal credit rating	12-month or lifetime ECL	Gross carrying amount	Gross carrying amount	Gross carrying amount	Gross carrying amount
			RMB'000	RMB'000	RMB'000	RMB'000
Financial assets at amortized cost						
Bank balances	Low risk	12-month ECL	28,390	26,325	334,972	561,644
Other receivables	Low risk	12-month ECL	2,687	44,070	2,893	5,394
Receivables for purchase of raw materials on behalf of customers	*(note i)*	12-month ECL	96	1,096	414	—
		Lifetime ECL (not credit- impaired)	267	—	—	—
		Lifetime ECL (credit-impaired)	—	—	4,832	—
Trade receivables	*(note ii)*	Lifetime ECL (collective assessment)	24,171	100,036	443,381	691,247
		Lifetime ECL (individual assessment)	—	—	61,780	9,539
Other long-term deposit	Low risk	12-month ECL	150	150	—	368
Other item						
Contract assets	*(note ii)*	Lifetime ECL (collective assessment)	1,028	10,719	17,460	26,401

Notes:

i. For the purposes of internal credit risk management, the Group has applied the general approach in IFRS 9 to measure the loss allowance equal to 12m ECL for those current exposure at default of the debtors being assessed as not having significant increase in credit risk since initial recognition. For those having significant increase in credit risk since initial recognition, the Group recognized lifetime ECL.

ii. For trade receivables and contract assets, the Group determines the ECL on collective basis by categorizing its customers into three types: low credit risk customers, normal credit risk customers and high credit risk customers, based on the financial quality of debtors and their historical credit loss experience according to the past due status adjusted, as appropriate, to reflect estimates of future economic conditions. Except for the customers which are assessed individually, the Group determines the ECL based on their historical credit loss experience according to the past due status adjusted, as appropriate, to reflect current conditions and estimates of future economic conditions.

Trade receivables and contract assets

The Group performs impairment assessment under ECL model on trade receivables with significant balances and different credit risk characteristics individually and/or collectively based on appropriate groupings. Except for items which are assessed for impairment individually, the remaining trade receivables and contract assets are grouped based on shared credit risk characteristics by reference to the Group's internal credit ratings.

As at December 31, 2020, 2021 and 2022, and June 30, 2023, the Group provided RMB281,000, RMB10,843,000 and RMB23,998,000, and RMB24,931,000 impairment allowance for trade receivables, based on collective assessment.

As at December 31, 2020, 2021 and 2022, and June 30, 2023, the Group provided nil, RMB2,000 and RMB151,000, and RMB1,736,000 impairment allowance for contract assets, based on collective assessment.

As at December 31, 2020, 2021 and 2022, and June 30, 2023, impairment allowance of nil, nil and RMB27,892,000, and RMB3,167,000 was assessed individually on trade receivables with gross carrying amount of nil, nil and RMB61,780,000, and RMB9,539,000.

The following table provides information about the exposure to credit risk for trade receivables and contract assets which are assessed based on collective basis within lifetime ECL (not credit-impaired) as at December 31, 2022, 2021 and 2020, and June 30, 2023 within lifetime ECL:

Gross carrying amount

	As at December 31, 2020		
Internal credit rating	**Average loss rate**	**Trade receivables**	**Contract assets**
		RMB'000	**RMB'000**
Grade A: Low risk and watch list	0.03%	24,171	1,028
Grade B: Doubtful	N/A	—	—
Grade C: Loss	N/A	—	—
		24,171	1,028

Gross carrying amount

	As at December 31, 2021		
Internal credit rating	Average loss rate	Trade receivables	Contract assets
		RMB'000	RMB'000
Grade A: Low risk and watch list	0.03%	100,036	10,719
Grade B: Doubtful	N/A	—	—
Grade C: Loss	N/A	—	—
		100,036	10,719

Gross carrying amount

	As at December 31, 2022		
Internal credit rating	Average loss rate	Trade receivables	Contract assets
		RMB'000	RMB'000
Grade A: Low risk and watch list	0.03%	372,025	15,665
Grade B: Doubtful	0.61%	62,560	1,707
Grade C: Loss	100%	8,796	88
		443,381	17,460

Gross carrying amount

	As at June 30, 2023		
Internal credit rating	Average loss rate	Trade receivables	Contract assets
		RMB'000	RMB'000
Grade A: Low risk and watch list	0.03%	433,730	18,974
Grade B: Doubtful	0.89%	230,022	7,427
Grade C: Loss	100%	27,495	—
		691,247	26,401

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management of the Group to ensure relevant information about specific debtors is updated. The contract assets have substantially the same risk characteristics as the trade receivables for the same type of contracts. The relevant inputs used in determining the expected credit loss rate for grade A customers were relatively stable during the Track Record Period, as such, the expected credit loss rate for grade A customers remained the same during the Track Record Period. The Group has therefore concluded that the loss rates for trade receivables are a reasonable approximation of the loss rates for contract assets.

The following table shows the movement in lifetime ECL that has been recognized for trade receivables and contract assets under the simplified approach.

	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired)	Total
	RMB'000	RMB'000	RMB'000
As at January 1, 2020	—	—	—
– Impairment losses recognized	(281)	—	(281)
As at December 31, 2020	(281)	—	(281)
– Impairment losses recognized	(6,229)	(4,335)	(10,564)
As at December 31, 2021	(6,510)	(4,335)	(10,845)
– Impairment losses recognized	(8,788)	(32,408)	(41,196)
As at December 31, 2022	(15,298)	(36,743)	(52,041)
– Impairment losses reversed	6,587	15,620	22,207
As at June 30, 2023	(8,711)	(21,123)	(29,834)

The following table shows the reconciliation of loss allowances that has been recognized for receivables for purchase of raw materials on behalf of customers.

	Lifetime ECL (not credit-impaired)
	RMB'000
As at January 1, 2020	—
– Impairment losses recognized	(8)
As at December 31, 2020	(8)
– Impairment losses reversed	6
As at December 31, 2021	(2)
– Impairment losses recognized	(2,173)
As at December 31, 2022	(2,175)
– Impairment losses reversed	2,175
As at June 30, 2023	—

For the purposes of impairment assessment, other financial assets including other receivables, financial assets at FVTPL, and bank balances and cash are considered to have low credit risk. Accordingly, for the purpose of impairment assessment for these financial assets, the loss allowance is measured at an amount equal to 12-month ECL. In determining the ECL for these financial assets at amortized cost, the directors of the Company have taken into account the historical default experience and the future prospects of the industries and/or considering various external sources of actual and forecast economic information, as appropriate, in estimating the probability of default of each of the other financial assets at amortized cost occurring within their respective loss assessment time horizon, as well as the loss upon default in each case. The directors of the Company considered that the 12-month ECL allowance is insignificant at the end of each reporting period.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of bank balances and cash deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its financial liabilities and derivative instrument. The table has been drawn up based on the undiscounted cash flows of financial liabilities according to the earliest date on which the Group is required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash (inflows) and outflows on derivative instruments that settle on a net basis. When the amount payable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the end of the reporting period. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual settlement dates as the management considers that the settlement dates are essential for an understanding of the timing of the cash flows of derivatives.

	Weighted average interest rate	On demand or less than one year	One to five years	More than 5 years	Total un-discounted cash flows	Total carrying amounts
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at December 31, 2020						
Trade and other payables . .	N/A	17,899	—	—	17,899	17,899
As at December 31, 2021 .						
Trade and other payables . .	N/A	790,893	—	—	790,893	790,893
Loans from related parties .	1.85-4.18	22,763	—	—	22,763	22,343
Total financial liabilities . .		813,656	—	—	813,656	813,236
Lease liabilities	4.75	2,308	—	—	2,308	2,249
		815,964	—	—	815,964	815,485
As at December 31, 2022						
Trade and other payables . .	N/A	706,747	—	—	706,747	706,747
Loans from related parties .	1.75-4.36	73,708	—	—	73,708	71,144
Total financial liabilities . .		780,455	—	—	780,455	777,891
Lease liabilities	4.90	4,531	1,958	—	6,489	6,040
		784,986	1,958	—	786,944	783,931
Derivative – net settlement						
Foreign currency forward . .		2,147	—	—	2,147	2,147
As at June 30, 2023						
Trade and other payables . .	N/A	726,548	—	—	726,548	726,548
Lease liabilities	4.90	2,860	2,849	—	5,709	5,305
		729,408	2,849	—	732,257	731,853

d. Fair value measurements of financial instruments

Some of the Group's financial instruments are measured at fair value for financial reporting purposes. The directors of the Company have set up a valuation committee, which is headed up by the Chief Financial Officer of the Company, to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value, the Group uses market-observable data to the extent it is available.

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/ financial liabilities	Fair value as at December 31, 2020	Fair value hierarchy	Valuation technique and key inputs	Significant unobservable inputs
Foreign currency forward . .	Derivative financial assets: RMB2,224,000	Level 2	Future cash flows are estimated based on forward exchange rates and contracted forward rates, discounted at a rate that reflects the credit risk of the banks.	N/A

Financial assets/ financial liabilities	Fair value as at December 31, 2021	Fair value hierarchy	Valuation technique and key inputs	Significant unobservable inputs
Foreign currency forward . .	Derivative financial assets: RMB2,549,000	Level 2	Future cash flows are estimated based on forward exchange rates and contracted forward rates, discounted at a rate that reflects the credit risk of the banks.	N/A

Financial assets/ financial liabilities	Fair value as at December 31, 2022	Fair value hierarchy	Valuation technique and key inputs	Significant unobservable inputs
Financial assets at FVTPL .	Wealth management products: RMB400,000,000	Level 2	Discounted cash flows method, estimated based on expected return and market foreign exchange rate	N/A
Foreign currency forward . .	Derivative financial assets: RMB799,000 Derivative financial liabilities: RMB2,147,000	Level 2	Future cash flows are estimated based on forward exchange rates and contracted forward rates, discounted at a rate that reflects the credit risk of the banks.	N/A

(ii) Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

The management of the Group considers the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the Historical Financial Information approximate their fair value.

The fair values of these financial assets and financial liabilities at amortized cost are determined in accordance with generally accepted pricing models based on discounted cash flow analysis with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

34. RETIREMENT BENEFIT PLANS

The employees of the Group's subsidiaries are members of the state-managed retirement benefits schemes operated by government. The subsidiaries are required to contribute a certain percentage of payroll costs to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes is to make the specified contributions.

The total cost charged to profit or loss in respect of the above-mentioned schemes amounted to approximately RMB285,000, RMB6,850,000, RMB14,526,000 for the years ended December 31, 2020, 2021 and 2022, respectively and RMB5,378,000 and RMB12,286,000 for six months ended June 30, 2022 (unaudited) and June 30, 2023, respectively.

35. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both the cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Obligations arising from equity transaction	Lease liabilities	Accrued issue cost	Loans from related parties	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2020	—	—	—	—	—
Net financing cash flows	69,116	—	—	—	69,116
Capital contribution from equity holders	(69,116)	—	—	—	(69,116)
As at December 31, 2020	—	—	—	—	—
Net financing cash flows	—	—	—	22,343	22,343
Non-cash changes					
Interest expenses	—	69	—	—	69
New lease extended	—	3,335	—	—	3,335
Lease modification	—	(1,155)	—	—	(1,155)
As at December 31, 2021	—	2,249	—	22,343	24,592
Net financing cash flows	1,285,462	(6,050)	—	48,801	1,328,213
Issue of shares	(1,285,462)	—	—	—	(1,285,462)
Non-cash changes					
Interest expenses	—	325	—	—	325
New lease extended	—	1,514	—	—	1,514
Lease modification	—	8,002	—	—	8,002
As at December 31, 2022	—	6,040	—	71,144	77,184
Net financing cash flows	—	(2,481)	(104)	(71,144)	(73,729)
Non-cash changes					
Interest expenses	—	149	—	—	149
Deferred issue cost	—	—	1,054	—	1,054
New lease extended	—	1,597	—	—	1,597
As at June 30, 2023	—	5,305	950	—	6,255
As at December 31, 2021	—	2,249	—	22,343	24,592
Net financing cash flows	1,285,462	(2,773)	—	48,901	1,331,590
Issue of shares	(1,285,462)	—	—	—	(1,285,462)
Non-cash changes					
Interest expenses	—	192	—	—	192
New lease extended	—	1,514	—	—	1,514
Lease modification	—	8,002	—	—	8,002
As at June 30, 2022 (unaudited)	—	9,184	—	71,244	80,428

36. ACQUISITION OF BUSINESS

Acquisition of Payload and Linker Business

XDC Changzhou, a subsidiary of the Group, entered into an agreement with STA Changzhou, a related party, to acquire the payload and linker business (the "Payload and Linker Business") for a cash consideration of RMB280,000,000. The purpose of the acquisition was to reinforce the Group's capabilities of end-to-end contract development and manufacturing of bioconjugates including antibody-drug conjugates.

The acquisition has been accounted for as acquisition of business using the acquisition method. Acquisition-related costs were not material and have been expensed as incurred as part of administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

Assets as at September 30, 2021

	RMB'000
Property, plant and equipment	6,407
Intangible assets	58,400
	64,807

Goodwill arising on acquisition

	RMB'000
Consideration payable	280,000
Less: recognized amounts of net assets acquired	(64,807)
Goodwill arising on acquisition	215,193

Goodwill arose on the acquisition of Payload and Linker Business because the acquisition included the assembled workforce as well as ongoing and potential projects from existing customers as at the date of acquisition. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on the acquisitions is expected to be deductible for tax purposes.

Impact of acquisition on the results of the Group

Included in the profit for the years/period ended December 31, 2020, 2021, 2022 and June 30, 2023 are nil, loss of RMB1,547,000, profit of RMB57,716,000 and profit of RMB28,210,000, respectively, attributable to the Payload and Linker Business. Revenue generated from Payload and Linker Business for the years/period ended December 31, 2020, 2021, 2022 and June 30, 2023 included nil, RMB8,156,000, RMB220,423,000 and RMBl19,280,000, respectively.

Had the acquisition of Payload and Linker Business been completed on January 1, 2020, revenue for the years ended December 31, 2020 and 2021 of the Group from continuing operations would have been RMB154,534,000 and RMB442,472,000, respectively, and profit for the years ended December 31, 2020 and 2021 from continuing operations would have been RMB52,327,000 and RMB113,647,000, respectively. The [**REDACTED**] information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on January 1, 2020, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had Payload and Linker Business been acquired at the beginning of the Track Record Period, the management of the Group calculated depreciation of property, plant and equipment and amortization of intangible assets based on the recognized amounts of property, plant and equipment and intangible assets at the date of the acquisition.

Pre-acquisition financial information

The pre-acquisition financial information of Payload and Linker Business is for the period from January 1, 2020 to September 30, 2021 (the "Pre-acquisition Period"), has been prepared in accordance with the accounting policies set out in Note 4 above, which conform with IFRSs issued by IASB.

Statement of Profit or Loss and Other Comprehensive Income

	Year ended December 31,	Nine months ended September 30,
	2020	2021
	RMB'000	RMB'000
Revenue	58,181	131,341
Cost of sales and services	(19,210)	(56,021)
Gross profit	38,971	75,320
Other gains and losses	—	(11)
Impairment losses, under expected credit loss model, net of reversal	(115)	7
Selling and marketing expenses	(7)	(7)
Administrative expenses	(1,306)	(926)
Research and development expenses	(1,506)	(1,322)
Profit before tax	36,037	73,061
Income tax expenses	(5,615)	(10,971)
Profit and total comprehensive income for the year/period	30,422	62,090

Statement of Financial Position

	As at December 31, 2020	As at September 30, 2021
	RMB'000	RMB'000
Non-current asset		
Property and equipment	6,971	6,407
Current assets		
Trade receivables	12,564	—
Contract costs	17,850	—
	30,414	—
Current liabilities		
Other payables	221	—
Contract liabilities	6,576	—
	6,797	—
Net current assets	23,617	—
Total assets less current liabilities/Net assets	30,588	6,407
Capital and reserve		
Retained earnings	44,456	106,546
Other reserve	(13,868)	(100,139)
Total equity	30,588	6,407

Statement of Changes in Equity

	Retained earnings	Other reserve	Total equity
	RMB'000	RMB'000	RMB'000
At January 1, 2020	14,034	514	14,548
Total comprehensive income for the year	30,422	–	30,422
Net distribution to STA Changzhou *(note)*	–	(14,382)	(14,382)
As at December 31, 2020	44,456	(13,868)	30,588
Total comprehensive income for the period	62,090	—	62,090
Net distribution to STA Changzhou *(note)*	—	(86,271)	(86,271)
As at September 30, 2021	106,546	(100,139)	6,407

Note: Net distribution to STA Changzhou represents the net equity generated by the Payload and Linker Business and retained in STA Changzhou prior to acquisition.

Statement of Cash Flows

Prior to acquisition of the Payload and Linker Business, the Payload and Linker Business was operated under STA Changzhou and no separate bank accounts were maintained for the Payload and Linker Business. The treasury and cash disbursement functions of the Payload and Linker Business were centrally administrated by STA Changzhou. The net equity generated in respect of the operations of Payload and Linker Business by STA Changzhou, are reflected in "Net distribution to STA Changzhou" in the statement of cash flows and presented as movements in the equity.

For the purpose of presenting a complete set of pre-acquisition financial information of the Payload and Linker Business, the following comprises the information of cash inflow/outflow of the Payload and Linker Business received/paid by STA Changzhou prior to and during the transition period after the transfer of Payload and Linker Business.

	Year ended December 31,	Nine months ended September 30,
	2020	2021
	RMB'000	RMB'000
OPERATING ACTIVITIES		
Profit before tax	36,037	73,061
Adjustments for:		
Depreciation of property and equipment	875	553
Impairment loss, net of reversal – trade receivables	115	(7)
Operating cash flows before movements in working capital	37,027	73,607
(Increase) decrease in trade receivables	(4,886)	12,572
(Increase) decrease in contract costs	(17,157)	17,850
Increase (decrease) in other payables	701	(222)
Increase (decrease) in contract liabilities	6,576	(6,576)
Cash generated from operations	22,261	97,231
NET CASH FROM OPERATING ACTIVITIES	22,261	97,231
INVESTING ACTIVITIES		
Proceeds on disposal of property and equipment	46	11
Purchases of property and equipment	(1,592)	—
NET CASH (USED IN) FROM IN INVESTING ACTIVITIES	(1,546)	11
Net distribution to STA Changzhou	(20,715)	(97,242)
NET INCREASE IN CASH AND CASH EQUIVALENTS	—	—
Cash and cash equivalents at end of the year/period, represented by bank balances and cash	—	—

(a) Revenue and segment information

	Year ended December 31,	Nine months ended September 30,
	2020	2021
	RMB'000	RMB'000
Timing of revenue recognition		
A point in time		
– Research services on FFS basis	58,181	131,341

Geographical information

An analysis of the Group's revenue from external customers, analyzed by their respective country/region of operation, is detailed below:

	Year ended December 31, 2020	Nine months ended September 30, 2021
	RMB'000	RMB'000
Revenue		
– North America	38,778	84,437
– PRC	5,909	8,209
– Europe	11,248	38,695
– Rest of the world	2,246	—
	58,181	131,341

(b) Profit before tax

Profit before tax for has been arrived at after charging (crediting):

	Year ended December 31,	Nine months ended September 30,
	2020	2021
	RMB'000	RMB'000
Depreciation for property and equipment	875	553
Staff cost (including directors' emoluments):		
– Salaries and other benefits	7,929	18,638
– Retirement benefits scheme contributions	1,308	3,075
Impairment losses, under expected credit loss model, net of reversal		
– Trade receivables	115	(7)

(c) Income tax expenses

	Year ended December 31,	Nine months ended September 30,
	2020	2021
	RMB'000	RMB'000
Current tax		
– EIT	5,615	10,971

Income tax expense was calculated based on the tax rate of STA Changzhou at 15% as if the Payload and Linker Business is a separate tax reporting entity.

STA Changzhou operating in the PRC is accredited as "High and New Technology Enterprise" and therefore entitled to a preferential EIT rate.

(d) Property and equipment

	Machinery	Furniture, fixture and equipment	Total
	RMB'000	RMB'000	RMB'000
COST			
As at January 1, 2020	7,018	253	7,271
Additions	1,552	40	1,592
As at December 31, 2020	8,570	293	8,863
Disposals	(40)	(6)	(46)
As at September 30, 2021	8,530	287	8,817
DEPRECIATION			
As at January 1, 2020	965	52	1,017
Provided for the year	834	41	875
As at December 31, 2020	1,799	93	1,892
Provided for the period	524	29	553
Eliminated on disposals	(33)	(2)	(35)
As at September 30, 2021	2,290	120	2,410
CARRYING VALUES			
As at December 31, 2020	6,771	200	6,971
As at September 30, 2021	6,240	167	6,407

(e) Contract costs

	As at December 31, 2020	As at September 30, 2021
	RMB'000	RMB'000
Costs to fulfill contracts	17,850	—

(f) Trade receivables

	As at December 31, 2020	As at September 30, 2021
	RMB'000	RMB'000
Trade receivables	12,679	—
Less: allowance for credit losses	(115)	—
Total trade receivables	12,564	—

The Payload and Linker Business allows a credit period ranging from 10 to 90 days to its customers. The following is an aged analysis of trade receivables (net of allowance for credit losses) presented based on the invoice dates:

	As at December 31, 2020	As at September 30, 2021
	RMB'000	RMB'000
Not past due	7,878	—
Overdue:		
– Within 180 days	3,335	—
– 181 days to 1 year	1,351	—
	12,564	—

(g) Contract liabilities

	As at December 31, 2020	As at September 30, 2021
	RMB'000	RMB'000
Within one year	6,576	—

37. RELATED PARTY TRANSACTIONS AND BALANCES

The related parties and the relationship with the Group are as follows:

WuXi Biologics group represents Biologics Cayman, its subsidiaries and its associates excluding the Group.

WuXi AppTec group represents WuXi AppTec Co., Ltd. and its subsidiaries. WuXi AppTec Group is ultimately controlled by certain substantial shareholders of the Group's ultimate holding company.

Chengdu Kangde Renze Real Estate Co., Ltd ("Renze") is controlled by one of the directors of the Group's ultimate holding company.

In addition to the balances disclosed in Notes 24, 25, 27 and 28, the Group had the following significant transactions and balances with related parties:

(a) Related party transactions

Provision of antibody drug conjugates discovery, research & development and manufacturing services (included in revenue)

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
WuXi Biologics group	81,730	258,460	370,805	215,422	136,244
WuXi AppTec group.	–	7,311	2,323	1,248	7,983
	81,730	265,771	373,128	216,670	144,227

Sales of materials to related parties (included in other income)

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
WuXi Biologics group	246	445	1,930	1,313	3,730

Sales of property, plant and equipment to related parties

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
WuXi Biologics group	1,125	38,265	1,633	41	254

Provision of leasing and other services to related parties (included in other income)

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
WuXi Biologics group	39	6,668	3,831	1,614	1,122

Antibodies master services (included in cost of sales and services)

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
WuXi Biologics group	1,476	20,193	355,710	57,971	444,974
WuXi AppTec group.	–	19,479	66,547	9,225	59,529
	1,476	39,672	422,257	67,196	504,503

Other service received (included in cost of sales and services and administrative expenses)

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
WuXi Biologics group	407	9,779	85,437	15,405	32,187
WuXi AppTec group.	–	294	1,034	396	3,019
	407	10,073	86,471	15,801	35,206

Purchase of materials (included in cost of sales and services)

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
WuXi Biologics group	3,690	15,887	23,755	8,611	15,951
WuXi AppTec group	–	3,569	65,324	6,340	2,443
	3,690	19,456	89,079	14,951	18,394

Purchase of property, plant and equipment

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
WuXi Biologics group	964	213	1,618	156	5,020
WuXi AppTec group	26	–	–	45	–
Renze	–	–	3,599	–	30
	990	213	5,217	201	5,050

Interest expense on loans from related parties

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
WuXi Biologics group	–	424	2,591	1,381	420

Interest expense on lease liabilities

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
WuXi AppTec group	–	69	325	192	149

Expense relating to leases

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
WuXi AppTec group	–	1,154	3,865	2,148	2,154

(b) Related party balances

As at December 31, 2020, 2021 and 2022, and six months ended June 30, 2023, the Group had balances with related parties as follows:

	As at December 31,			As at June 30,
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Amounts due from related parties – Trade related				
Included in trade receivables:				
WuXi Biologics group	18,347	63,209	132,204	78,080
WuXi AppTec group	–	–	2,462	10,668
	18,347	63,209	134,666	88,748
Included in other receivables:				
Wuxi Biologics group	–	42,805	679	4,750
Less: allowance for credit losses	(261)	(6,405)	(13,520)	(3,349)
	18,086	99,609	121,825	90,149

	As at December 31,			As at June 30,
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Amounts due from related parties – Non-trade related				
Included in other receivables:				
WuXi Biologics group	38	405	1,633	3

	As at December 31,			As at June 30,
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Contract assets – Trade related				
WuXi AppTec group	–	7,684	7,685	7,685
Less: allowance for credit losses	–	(2)	(44)	(73)
	–	7,682	7,641	7,612

	As at December 31,			As at June 30,
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Amounts due to related parties – Trade related				
Included in trade payables:				
WuXi Biologics group	24	859	378,779	429,597
WuXi AppTec group	–	21,646	78,516	55,159
	24	22,505	457,295	484,756
Included in other payables:				
WuXi Biologics group	702	39,484	84,752	127,427
WuXi AppTec group	–	1,570	22,594	1,882
	726	63,559	564,641	614,065

	As at December 31,			As at June 30,
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Amounts due to related parties – Non-trade related				
Included in other payables:				
WuXi Biologics group	990	213	1,618	2,144
Renze	–	–	189	219
	990	213	1,807	2,363

	As at December 31,			As at June 30,
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Loans from related parties – Non-trade related				
WuXi Biologics group	–	22,343	71,144	–

	As at December 31,			As at June 30,
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Consideration payable for acquisition Payload and Linker Business – Non-trade related				
WuXi AppTec group	—	280,000	—	—

	As at December 31,			As at June 30,
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Consideration payable for acquisition of XDC Wuxi to the Group – Non-trade related				
WuXi Biologics group	—	404,413	—	—

	As at December 31,			As at June 30,
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Consideration payable for acquisition of BCD Business Unit to the Group – Non-trade related				
WuXi Biologics group	—	—	15,587	5,710

Except for loan payables and lease liabilities, all the above balances with related parties are unsecured, interest free and repayable on demand. The non-trade related balances as at December 31, 2020, 2021, 2022 and June 30, 2023 will be settled prior to the [**REDACTED**].

(c) Compensation of key management personnel

The remuneration of the directors of the Company and other members of key management of the Group during the Track Record Period was as follows:

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Director's fee	—	—	—	—	—
Salaries and other benefits	2,541	2,600	3,243	1,578	2,149

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Performance-based bonus	984	1,032	1,297	631	856
Retirement benefits scheme contributions	—	—	—	—	3
Share-based compensation	1,678	5,250	15,288	4,984	6,643
	5,203	8,882	19,828	7,193	9,651

The remuneration of key management is determined with reference to the performance of the individuals and market trends.

38. SHARE-BASED COMPENSATION

Equity instruments granted by Biologics Cayman to employees of the Group

Pursuant to the WXB Share Option Scheme, WXB Restricted Share Award Scheme and WXB Global Partner Program Share Scheme, certain directors of the Company and employees of the Group were issued shares of Biologics Cayman.

(a) WXB [REDACTED] Share Option Scheme

Biologics Cayman's [**REDACTED**] Share Option Scheme was adopted pursuant to resolutions passed on January 5, 2016 for the primary purpose of attracting, retaining and motivating employees and directors. Under the WXB [**REDACTED**] Share Option Scheme, the directors of the Biologics Cayman may grant up to 144,600,000 (before the effect of the Share Subdivision[1]) share options to eligible employees, including the directors of Biologics Cayman and its subsidiaries, to subscribe for shares in Biologics Cayman. Grantee accepting an option grant offered by Biologics Cayman has to sign an acceptance letter and pay to Biologics Cayman an amount of HK$1.00 (before the effect of the Share Subdivision) as consideration for the grant.

The Group recognized total expense of approximately RMB709,000, RMB377,000 and RMB59,000 for the years ended December 31, 2020, 2021 and 2022, respectively and RMB59,000 and nil for six months ended June 30, 2022 (unaudited) and June 30, 2023, respectively in relation to share options granted by Biologics Cayman under the WXB [**REDACTED**] Share Option Scheme.

1 Pursuant to a shareholders' resolution passed at an extraordinary general meeting on November 12, 2020, the authorized and issue shares of Biologics Cayman were subdivided on the basis that every one issued share is subdivided into three subdivided shares (the "Share Subdivision"). The Share Subdivision became effective on November 16, 2020.

(b) WXB Restricted Share Award Scheme

On January 15, 2018, Biologics Cayman adopted the WXB Restricted Share Award Scheme for the primary purpose of (i) recognizing the contributions by certain employees of the Group of Biologics Cayman and directors of Biologics Cayman (the "Selected Participants under WXB Restricted Share Award Scheme"); (ii) encouraging, motivate and retain the Selected Participants under WXB Restricted Share Award Scheme, whose contributions are beneficial to the continual operation, development and long-term growth of the Group of Biologics Cayman; and (iii) providing additional incentive for the Selected Participants under WXB Restricted Share Award Scheme to achieve performance goals, with a view to achieving the objectives of increasing the value of the Group of Biologics Cayman and aligning the interests of the Selected Participants under WXB Restricted Share Award Scheme to the shareholders of Biologics Cayman through ownership of shares. The total number of the restricted shares underlying all grants made pursuant to the WXB Restricted Share Award Scheme shall not exceed three percent of the issued share capital of Biologics Cayman as at the adoption date (i.e. 34,953,032 shares before the effect of the Share Subdivision).

During the year ended December 31, 2022, certain employees of Biologics Cayman were offered, and agreed to join the [**REDACTED**] Share Option Scheme. Upon participating in the [**REDACTED**] Share Option Scheme, share options under the [**REDACTED**] Share Option Scheme were granted to the employees while the outstanding restricted shares granted under the WXB Restricted Share Award Scheme held by the respective employees were cancelled in the same time accordingly. The directors of Biologics Cayman considered that most of the cancelled restricted shares under the WXB Restricted Share Award Scheme were replaced by the share options granted under the [**REDACTED**] Share Option Scheme, which was accounted for as a modification of the original equity instruments with no incremental fair value granted, therefore, such outstanding restricted shares would continue to be measured at the original grant-date fair value and the corresponding share-based compensation expense would be recognized in profit or loss over the original vesting periods. The remaining cancelled restricted shares were deemed to be accounted for as an acceleration of vesting, and the Group recognized immediately the amount that otherwise would have been recognized for services received over the remainder of the vesting period.

The Group recognized total expense of approximately RMB5,767,000, RMB21,780,000 and RMB10,505,000 for the years ended December 31, 2020, 2021 and 2022, respectively and RMB8,686,000 and RMB4,702,000 for six months ended June 30, 2022 (unaudited) and June 30, 2023, respectively in relation to restricted shares granted by Biologics Cayman under the WXB Restricted Share Award Scheme.

(c) WXB Global Partner Program Share Scheme

On June 16, 2021, Biologics Cayman adopted a global partner program share scheme to further reward and incentivize the Group of Biologics Cayman's top employees and attract key talents (the "Selected Participants under WXB Global Partner Program Share Scheme") to ensure the continuous business development and growth of Biologics Cayman and to further align the interests of the top employees and the shareholders of Biologics Cayman. The Selected Participants under WXB Global Partner Program Share Scheme who have significant contributions to the Group of Biologics Cayman's business development and growth will be granted restricted shares under the WXB Global Partner Program Share Scheme. The number of restricted shares to be granted will be determined based on various performance-related considerations, such as the fulfilment by the respective Selected Participants under WXB Global Partner Program Share Scheme of their individual performance targets as well as the overall

business performance of the Group of Biologics Cayman as a whole. The total number of the restricted shares underlying all grants made pursuant to the WXB Global Partner Program Share Scheme shall not exceed three percent of the total number of shares of Biologics Cayman in issue as at the adoption date (i.e. 126,982,689 shares).

The Group recognized total expense of approximately nil, nil and RMB312,000 for the years ended December 31, 2020, 2021 and 2022, respectively and RMB59,000 and nil for six months ended June 30, 2022 (unaudited) and June 30, 2023, respectively in relation to restricted shares granted by Biologics Cayman under the WXB Global Partner Program Share Scheme.

Equity instruments granted by the Company to employees of the Group

(a) 2021 [REDACTED] Share Option Scheme

On November 23, 2021 the Company adopted the 2021 [**REDACTED**] Share Option Scheme for the primary purpose to enable the Company to grant share options to eligible participants as incentives or rewards for their contribution to the Group so as to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group. Eligible participants for the 2021 [**REDACTED**] Share Option Scheme include any full-time or part-time employees, executives, officers or directors of the Company. The maximum number of the Company shares which may be issued upon exercise of all share options to be granted under the 2021 [**REDACTED**] Share Option Scheme and other share option schemes of the Company shall not in aggregate exceed 10% of the total number of the Company shares in issue as at the adoption date (i.e. 100,000,000 shares) (the "2021 [**REDACTED**] Share Option Scheme Mandate Limit"). Share options lapsed in accordance with the terms of the [**REDACTED**] Share Option Scheme will not be counted for the purpose of calculating the 2021 [**REDACTED**] Share Option Scheme Mandate Limit.

The option granted under the 2021 [**REDACTED**] Share Option Scheme can only be vested in the following manners (each date on which any portion of options granted shall be vested is hereinafter referred to as a "Vesting Date of 2021 [**REDACTED**] Share Option Scheme" and each batch on which any portion of options granted shall be vested is hereinafter referred to as a "Batch under 2021 [**REDACTED**] Share Option Scheme"):

Batch under 2021 [REDACTED] Share Option Scheme	Vesting Date of 2021 [REDACTED] Share Option Scheme
twenty percent (20%) of the restricted shares so granted	second (2nd) anniversary of the grant date for a Company's share option
twenty percent (20%) of the restricted shares so granted	third (3rd) anniversary of the grant date for a Company's share option
twenty percent (20%) of the restricted shares so granted	fourth (4th) anniversary of the grant date for a Company's share option
forty percent (40%) of the restricted shares so granted	fifth (5th) anniversary of the grant date for a Company's share option

Set out below are details of the movements of the outstanding share options granted under the 2021 [**REDACTED**] Share Option Scheme during the year ended December 31, 2022 and six months ended June 30, 2023:

Batch	Outstanding as at January 1, 2022	Granted	Exercised	Forfeited	Outstanding as at December 31, 2022
Employee					
April 1, 2022	—	20,907,270	—	2,537,721	18,369,549
August 18, 2022	—	9,052,830	—	450,574	8,602,256
Director					
June 10, 2022	—	32,160,000	—	—	32,160,000
	—	62,120,100	—	2,988,295	59,131,805
Exercisable at the end of the year	—				—
Weighted average exercise price (RMB)	—	1.6860	—	1.6869	1.6859

Batch	Outstanding as at January 1, 2023	Granted	Exercised	Forfeited	Outstanding as at June 30, 2023
Employee					
April 1, 2022	18,369,549	—	—	—	18,369,549
August 18, 2022	8,602,256	—	—	—	8,602,256
January 6, 2023	—	18,517,841	—	—	18,517,841
Director					
June 10, 2022	32,160,000	—	—	—	32,160,000
	59,131,805	18,517,841	—	—	77,649,646
Exercisable at the end of the period	—				—
Weighted average exercise price (RMB)	1.6859	1.6859	—	—	1.6859

The estimated fair value of the share options at the date of grant were approximately RMB20,602,000, RMB34,331,000, RMB8,984,000 and RMB17,330,000 for the April 1, 2022, June 10, 2022, August 18, 2022 and January 6, 2023 option batch, respectively. The fair value was calculated using the Binomial model. The major inputs into the model are as follows:

Grant date	April 1, 2022	June 10, 2022	August 18, 2022	January 6, 2023
Equity value per share (RMB)	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Exercise price (RMB)	1.658	1.658	1.850	1.868
Expected volatility	47.6%	47.9%	47.9%	43.6%
Expected life (years)	10	10	10	10
Risk-free interest rate	2.81%	2.81%	2.78%	2.89%
Forfeiture rate	3.70%	—	3.70%	3.70%

The risk-free interest rate was based on market yield rate of China government bonds with the term corresponding to the contractual life of the options. Expected volatility was determined by using the historical volatility of the comparable companies. Changes in variables and assumptions may result in changes in the fair values of the share options.

The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

The Group recognized total expense of approximately nil, nil and RMB27,750,000 for the years ended December 31, 2020, 2021 and 2022, respectively and RMB1,791,000 and RMB30,145,000 for six months ended June 30, 2022 (unaudited) and June 30, 2023, respectively in relation to options granted by the Company under the 2021 [**REDACTED**] Share Option Scheme.

(b) 2023 [REDACTED] Share Option Scheme

The Group adopted the 2023 [**REDACTED**] Share Option Scheme on March 22, 2023, the principal terms of which are summarized in "2023 [**REDACTED**] Share Option Scheme" in Appendix IV to this document.

39. CAPITAL COMMITMENTS

The Group had capital commitments for equipment purchase and building construction under non-cancellable contracts as follows:

	As at December 31,			Six months ended June 30,
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Contracted but not provided for – property, plant and equipment	39,766	124,413	126,572	159,922

40. OPERATING LEASE ARRANGEMENTS

The Group as lessor

As at December 31, 2020, 2021 and 2022, and June 30, 2023, the Group's investment property with carrying amounts of nil, RMB13,215,000 and RMB12,812,000, and RMB12,610,000 were held for rental purposes.

Undiscounted lease payments receivable on leases are as follows:

	As at December 31,			Six months ended June 30,
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	—	2,963	2,963	2,963
In the second year	—	2,963	2,963	2,963
In the third year	—	2,963	2,963	2,963
In the fourth year	—	2,963	—	—

41. DETAILS OF SUBSIDIARIES

The Company

	As at December 31,			As at June 30,
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Unlisted shares, at cost	—	—	1,306,543	1,306,543
Deemed capital contributions *(note)*	—	—	27,487	57,686
	—	—	1,334,030	1,364,229

Note: The amounts represent the equity-settled share-based compensation in respect of the respective share options granted by the Company to certain subsidiaries' employees for their services rendered to the respective subsidiaries under the Company's [**REDACTED**] Share Option Scheme as disclosed in Note 38. Since the subsidiaries have no obligation to reimburse such expense to the Company, the amounts are treated as deemed capital contribution by the Company to the subsidiaries and regarded as the Company's cost of investments in subsidiaries.

The direct and indirect interests in the following subsidiaries held by the Company during the years ended December 31, 2020, 2021 and 2022, six months ended June 30, 2023, and as of the date of this report are as follows:

Name of subsidiaries	Place of incorporation/ operation, date of incorporation	Authorized share/ registered capital	Paid up capital	Attributable equity interests held by the Company				Date of this report	Principal activities
				As at December 31,			As at June 30,		
				2020	2021	2022	2023		
WuXi XDC Hong Kong Limited *(note i)*	Hong Kong June 7, 2021	HK$1	—	N/A	100%	100%	100%	[100%]	International sales contracting service
無錫藥明合聯生物技術有限公司 (曾用名：無錫藥明偶聯生物技術有限公司) (WuXi XDC Co., Ltd.)# *(note ii and v)*	The PRC March 13, 2018	US$200,000,000	US$162,500,000	100%	100%	100%	100%	[100%]	Biologics discovery, development and manufacturing service
上海藥明合聯生物技術有限公司 (曾用名：上海藥明全聯生物技術有限公司) (WuXi XDC (Shanghai) Co., Ltd.)# *(note iii and iv)*	The PRC March 31, 2021	RMB30,000,000	RMB30,000,000	N/A	100%	100%	100%	[100%]	Biologics discovery, development and manufacturing service
常州藥明合聯生物技術有限公司 (WuXi XDC (Changzhou) Co., Ltd.)# *(note iii and iv)*	The PRC July 2, 2021	RMB300,000,000	RMB300,000,000	N/A	100%	100%	100%	[100%]	Biologics discovery, development and manufacturing service
WuXi XDC Singapore Private Limited *(note v)*	Singapore November 16, 2022	US$5,000,000	—	N/A	N/A	100%	100%	[100%]	Biologics manufacturing service

English name is for identification purpose only.

None of the subsidiaries had issued any debt securities at the end of the period.

Notes:

(i) The statutory financial statements of the entity for the years ended December 31, 2021 and 2022 prepared under IFRSs were audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP.

(ii) The statutory financial statements of the entity for the years ended December 31, 2020, 2021 and 2022 prepared under China Accounting Standards ("CASs") were audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP.

(iii) The statutory financial statements of the entity for the years ended December 31, 2021 and 2022 prepared under CASs were audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP.

(iv) This Company is a wholly-domestic owned enterprise.

(v) This Company is a wholly-foreign owned enterprise.

42. RESERVES MOVEMENT OF THE COMPANY

The movement of the reserves of the Company are as follows:

	Share premium	Equity-settled share-based compensation reserve	Retained earnings (Accumulated losses)	Total reserves
	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2020 and December 31, 2020	—	—	—	—
Total comprehensive expense for the year	—	—	(640)	(640)
As at December 31, 2021	—	—	(640)	(640)
Total comprehensive income for the year	—	—	20,237	20,237
Issue of shares *(Note 32)*	1,285,143	—	—	1,285,143
Recognition of equity-settled share-based compensation	—	27,750	—	27,750
As at December 31, 2022	1,285,143	27,750	19,597	1,332,490
Total comprehensive expense for the period	—	—	(7,648)	(7,648)
Recognition of equity-settled share-based compensation	—	30,145	—	30,145
As at June 30, 2023	1,285,143	57,895	11,949	1,354,987

43. SUBSEQUENT FINANCIAL STATEMENTS

[No audited financial statements of the Group, the Company or any of its subsidiaries have been prepared in respect of any period subsequent to December 31, 2022 and up to the date of this report.]

44. SUBSEQUENT EVENTS

The Group has undergone the following significant events after the end of the reporting period:

(i) On July 6, 2023 and August 24, 2023, 34,819,569 and 82,189,726 share options were granted under the 2023 [**REDACTED**] Share Option Scheme with a vesting period of five years, respectively.

[●]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

SUMMARY OF THE CONSTITUTION OF THE COMPANY

1 Memorandum of Association

The Memorandum of Association of the Company was conditionally adopted on [●] and states, inter alia, that the liability of the members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Companies Act or any other law of the Cayman Islands.

The Memorandum of Association is on display on the websites of the Stock Exchange and the Company as specified in Appendix V in the section headed "Documents on display".

2 Articles of Association

The Articles of Association of the Company were conditionally adopted on [●] and include provisions to the following effect:

2.1 Directors

(a) Power to allot and issue Shares

Subject to the provisions in the Memorandum of Association (and to any direction that may be given by the Company in general meeting) and without prejudice to any rights attached to any existing shares, the Directors may allot, issue, grant options over or otherwise dispose of shares with or without preferred, deferred or other rights or restrictions, whether in regard to dividend or other distribution, voting, return of capital or otherwise and to such persons, at such times and on such other terms as the Directors think proper.

(b) Power to dispose of the assets of the Company or any subsidiary

Subject to the provisions of the Companies Act, the Memorandum and Articles of Association and to any directions given by special resolution, the business of the Company shall be managed by the Directors who may exercise all the powers of the Company. No alteration of the Memorandum and Articles of Association and no such direction shall invalidate any prior act of the Directors which would have been valid if that alteration had not been made or that direction had not been given.

(c) Compensation or payment for loss of office

There are no provisions in the Articles of Association relating to compensation or payment for loss of office of a Director.

(d) Loans to Directors

There are no provisions in the Articles of Association relating to making of loans to Directors.

(e) Financial assistance to purchase Shares

There are no provisions in the Articles of Association relating to the giving of financial assistance by the Company to purchase shares in the Company or its subsidiaries.

(f) Disclosure of interest in contracts with the Company or any of its subsidiaries

No person shall be disqualified from the office of Director or alternate Director or prevented by such office from contracting with the Company, either as vendor, purchaser or otherwise, nor shall any such contract or any contract or transaction entered into by or on behalf of the Company in which any Director or alternate Director shall be in any way interested be or be liable to be avoided, nor shall any Director or alternate Director so contracting or being so interested be liable to account to the Company for any profit realised by or arising in connection with any such contract or transaction by reason of such Director or alternate Director holding office or of the fiduciary relationship thereby established, provided that the nature of the interest of any Director or any alternate Director in any such contract or transaction shall be disclosed by them at or prior to its consideration and any vote thereon.

A Director shall not be entitled to vote on (nor shall the Director be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his close associates has any material interest, and if he shall do so his vote shall not be counted (nor shall he be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

(i) the giving to such Director or any of his close associates of any security or indemnity in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

(ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or any of his close associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;

(iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or any of his close associates is/are or is/are to be interested as a participant in the [**REDACTED**] or [**REDACTED**] of the offer;

(iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:

(A) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his close associates may benefit; or

(B) the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates to the Director, his close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or any of his close associates, as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(v) any contract or arrangement in which the Director or any of his close associates is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of their interest in shares or debentures or other securities of the Company.

(g) Remuneration

The remuneration to be paid to the Directors, if any, shall be such remuneration as the Directors shall determine. The Directors shall also be entitled to be paid all travelling, hotel and other expenses properly incurred by them in connection with their attendance at meetings of Directors or committees of Directors, or general meetings of the Company, or separate meetings of the holders of any class of shares or debentures of the Company, or otherwise in connection with the business of the Company or the discharge of their duties as a Director, or to receive a fixed allowance in respect thereof as may be determined by the Directors, or a combination partly of one such method and partly the other.

The Directors may approve additional remuneration to any Director for any services which in the opinion of the Directors go beyond that Director's ordinary routine work as a Director. Any fees paid to a Director who is also counsel, attorney or solicitor to the Company, or otherwise serves it in a professional capacity shall be in addition to their remuneration as a Director.

(h) Retirement, appointment and removal

The Company may by ordinary resolution appoint any person to be a Director, either to fill a vacancy or as an additional Director.

The Company may by ordinary resolution remove any Director (including a managing or other executive Director) before the expiration of such Director's term of office, notwithstanding anything in the Articles of Association or in any agreement between the Company and such Director, and may by ordinary resolution elect another person in their stead. Nothing shall be taken as depriving a Director so removed of compensation or damages payable to such Director in respect of the termination of his appointment as Director or of any other appointment or office as a result of the termination of his appointment as Director.

The Directors may appoint any person to be a Director, either to fill a vacancy or as an additional Director provided that the appointment does not cause the number of Directors to exceed any number fixed by or in accordance with the Articles of Association as the maximum number of Directors. Any Director so appointed shall hold office only until the first annual general meeting of the Company after such Director's appointment and shall then be eligible for re-election at that meeting.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The office of a Director shall be vacated if:

(i) the Director gives notice in writing to the Company that he resigns the office of Director;

(ii) the Director is absent (for the avoidance of doubt, without being represented by proxy or an alternate Director appointed by him) for a continuous period of 12 months without special leave of absence from the Directors, and the Directors pass a resolution that he has by reason of such absence vacated office;

(iii) the Director dies, becomes bankrupt or makes any arrangement or composition with his creditors generally;

(iv) the Director is found to be or becomes of unsound mind; or

(v) the Director is removed from office by notice in writing served upon such Director signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors then in office (including such Director).

At every annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election at such meeting. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

(i) Borrowing powers

The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof and to issue debentures, debenture stock, mortgages, bonds and other such securities whether outright or as security for any debt, liability or obligation of the Company or of any third party.

2.2 Alteration to constitutional documents

No alteration or amendment to the Memorandum or Articles of Association may be made except by special resolution.

2.3 Variation of rights of existing shares or classes of shares

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class for the time being issued (unless otherwise provided by the terms of issue of the shares of that class) may, whether or not the Company is being wound up, be varied only with the consent in writing of the holders of not less than three-fourths of the voting rights of the issued shares

of that class, or with the approval of a resolution passed by a majority of not less than three-fourths of the votes cast at a separate meeting of the holders of the shares of that class. To any such meeting all the provisions of the Articles of Association relating to general meetings shall apply *mutatis mutandis*, except that the necessary quorum shall be one or more persons holding or representing by proxy or duly authorised representative at least one-third of the voting rights of the issued shares of that class.

The rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

2.4 Alteration of capital

The Company may by ordinary resolution:

(a) increase its share capital by such sum as the ordinary resolution shall prescribe and with such rights, priorities and privileges annexed thereto, as the Company in general meeting may determine;

(b) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchasers thereof and the validity of such transfer shall not be questioned, and so that the [**REDACTED**] of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;

(c) by subdivision of its existing shares or any of them divide the whole or any part of its share capital into shares of smaller amount than is fixed by the Memorandum of Association or into shares without par value; and

(d) cancel any shares that at the date of the passing of the ordinary resolution have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled.

The Company may by special resolution reduce its share capital or any capital redemption reserve fund, subject to the provisions of the Companies Act.

2.5 Special resolution – majority required

A "special resolution" is defined in the Articles of Association to have the same meaning as in the Companies Act, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given and includes a special resolution approved in writing by all of the members of the Company entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

In contrast, an "ordinary resolution" is defined in the Articles of Association to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

2.6 Voting rights

Subject to any rights or restrictions attached to any shares, at any general meeting every member of the Company present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have (a) the right to speak; (b) one vote on a show of hands; and (c) one vote for every share of which he is the holder on a poll.

Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

In the case of joint holders the vote of the senior holder who tenders a vote, whether in person or by proxy (or in the case of a corporation or other non-natural person, by its duly authorised representative or proxy) shall be accepted to the exclusion of the votes of the other joint holders, and seniority shall be determined by the order in which the names of the holders stand in the register of members of the Company.

A member of unsound mind, or in respect of whom an order has been made by any court having jurisdiction in lunacy, may vote, whether on a show of hands or on a poll, by their committee, receiver, curator bonis, or other person on such member's behalf appointed by that court, and any such committee, receiver, curator bonis or other person may vote by proxy.

No person shall be counted in a quorum or be entitled to vote at any general meeting unless he is registered as a member on the [**REDACTED**] for such meeting, nor unless all calls or other monies then payable by him in respect of shares have been paid.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll save that the chairperson of the meeting may allow a resolution which relates purely to a procedural or administrative matter as prescribed under the Listing Rules to be voted on by a show of hands.

Any corporation or other non-natural person which is a member of the Company may in accordance with its constitutional documents, or in the absence of such provision by resolution of its directors or other governing body, authorise such person as it thinks fit to act as its representative at any meeting of the Company or of any class of members, and the person so authorised shall be entitled to exercise the same powers as the corporation could exercise if it were an individual member.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any general meeting of the Company or at any general meeting of any class of members of the Company, provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognised clearing house (or its nominee(s)) which that person represents as that recognised clearing house (or its nominee(s)) could exercise as if such person were an individual member of the Company holding the number and class of shares specified in such authorisation, including the right to speak and, where a show of hands is allowed, the right to vote individually on a show of hands.

2.7 Annual general meetings and extraordinary general meetings

The Company shall hold a general meeting as its annual general meeting for each financial year within six months (or such other period as may be permitted by the Listing Rules or the Stock Exchange) after the end of such financial year. An annual general meeting shall be specified as such in the notices calling it.

The Directors may call general meetings, and they shall on a members' requisition forthwith proceed to convene an extraordinary general meeting of the Company. A members' requisition is a requisition of one or more members holding at the date of deposit of the requisition not less than 10% of the voting rights, on a one vote per share basis, of the issued shares which as at that date carry the right to vote at general meetings of the Company. The members' requisition must state the objects and the resolutions to be added to the agenda of the meeting and must be signed by the requisitionists and deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office of the Company, and may consist of several documents in like form each signed by one or more requisitionists. If there are no Directors as at the date of the deposit of the members' requisition or if the Directors do not within 21 days from the date of the deposit of the members' requisition duly proceed to convene a general meeting to be held within a further 21 days, the requisitionists, or any of them representing more than one-half of the total voting rights of all the requisitionists, may themselves convene a general meeting, but any meeting so convened shall be held no later than the day which falls three months after the expiration of the said 21 day period. A general meeting convened by requisitionists shall be convened in the same manner as nearly as possible as that in which general meetings are to be convened by Directors.

2.8 Accounts and audit

The Directors shall cause proper books of account to be kept with respect to all sums of money received and expended by the Company and the matters in respect of which the receipt or expenditure takes place, all sales and purchases of goods by the Company and the assets and liabilities of the Company.

Such books of account must be retained for a minimum period of five years from the date on which they are prepared. Proper books shall not be deemed to be kept if there are not kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to explain its transactions.

The Directors shall determine whether and to what extent and at what times and places and under what conditions or regulations the accounts and books of the Company or any of them shall be open to the inspection of members of the Company not being Directors, and no member (not being a Director) shall have any right of inspecting any account or book or document of the Company except as conferred by the Companies Act or authorised by the Directors or by the Company in general meeting.

The Directors shall cause to be prepared and to be laid before the Company at every annual general meeting a profit and loss account for the period since the preceding account, together with a balance sheet as at the date to which the profit and loss account is made up, a Directors' report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditors' report on such accounts and such other reports and accounts as may be required by law.

2.9 Auditors

The Company shall at every annual general meeting by ordinary resolution appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The Company may by ordinary resolution remove an auditor before the expiration of his period of office. No person may be appointed as an auditor of the Company unless such person is independent of the Company. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed by ordinary resolution, or in the manner specified in such resolution.

2.10 Notice of meetings and business to be conducted thereat

An annual general meeting shall be called by not less than 21 days' notice and any extraordinary general meeting shall be called by not less than 14 days' notice, which shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Every notice shall specify the place, the day and the hour of the meeting, particulars of the resolutions and the general nature of the business to be conducted at the meeting. Notwithstanding the foregoing, a general meeting of the Company shall, whether or not the notice specified has been given and whether or not the provisions of the Articles of Association regarding general meetings have been complied with, be deemed to have been duly convened if it is so agreed:

(a) in the case of an annual general meeting, by all members of the Company entitled to attend and vote at the meeting; and

(b) in the case of an extraordinary general meeting, by a majority in number of the members having a right to attend and vote at the meeting, together holding not less than 95% in par value of the shares giving that right.

If, after the notice of a general meeting has been sent but before the meeting is held, or after the adjournment of a general meeting but before the adjourned meeting is held (whether or not notice of the adjourned meeting is required), the Directors, in their absolute discretion, consider that it is impractical or unreasonable for any reason to hold a general meeting on the date or at the time and place specified in the notice calling such meeting, they may change or postpone the meeting to another date, time and place.

The Directors also have the power to provide in every notice calling a general meeting that in the event of a gale warning or a black rainstorm warning is in force at any time on the day of the general meeting (unless such warning is cancelled at least a minimum period of time prior to the general meeting as the Directors may specify in the relevant notice), the meeting shall be postponed without further notice to be reconvened on a later date.

Where a general meeting is postponed:

(a) the Company shall endeavour to cause a notice of such postponement, which shall set out the reason for the postponement in accordance with the Listing Rules, to be placed on the Company's website and published on the Stock Exchange's website as soon as practicable, provided that failure to place or publish such notice shall not affect the automatic postponement of a general meeting due to a gale warning or black rainstorm warning being in force on the day of the general meeting;

(b) the Directors shall fix the date, time and place for the reconvened meeting and at least seven clear days' notice shall be given for the reconvened meeting; and such notice shall specify the date, time and place at which the postponed meeting will be reconvened and the date and time by which proxies shall be submitted in order to be valid at such reconvened meeting (provided that any proxy submitted for the original meeting shall continue to be valid for the reconvened meeting unless revoked or replaced by a new proxy); and

(c) only the business set out in the notice of the original meeting shall be transacted at the reconvened meeting, and notice given for the reconvened meeting does not need to specify the business to be transacted at the reconvened meeting, nor shall any accompanying documents be required to be recirculated. Where any new business is to be transacted at such reconvened meeting, the Company shall give a fresh notice for such reconvened meeting in accordance with the Articles of Association.

2.11 Transfer of shares

Transfers of shares may be effected by an instrument of transfer, which shall be in writing and in any standard form of transfer as prescribed by the Stock Exchange or such other form as the Directors may approve. The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company.

The Directors may decline to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

(a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be cancelled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;

(b) the instrument of transfer is in respect of only one class of shares;

(c) the instrument of transfer is properly stamped (in circumstances where stamping is required);

(d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;

(e) the shares concerned are free of any lien in favour of the Company; and

(f) a fee of such amount not exceeding the maximum amount as the Stock Exchange may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to the Company in respect thereof.

If the Directors refuse to register a transfer of any share they shall notify the transferor and the transferee within two months of such refusal.

The registration of transfers shall be suspended during such periods as the register of members of the Company is closed. The Directors may, on at least 10 business days' notice (or on at least 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, close the register of members at such times and for such periods as the Directors may from time to time determine, provided that the register of members shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine, provided that such period shall not be extended beyond 60 days in any year).

2.12 Power of the Company to purchase its own shares

Subject to the provisions of the Companies Act, the Company may purchase its own shares provided that (a) the manner of purchase has first been authorised by the members of the Company by ordinary resolution, and (b) any such purchase shall only be made in accordance with any relevant code, rules or regulations issued by the Stock Exchange or the Securities and Futures Commission of Hong Kong from time to time in force.

2.13 Power of any subsidiary of the Company to own shares

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

2.14 Dividends and other methods of distribution

Subject to the Companies Act and the Articles of Association, the Company may by ordinary resolution resolve to pay dividends and other distributions on shares in issue and authorise payment of the dividends or other distributions out of the funds of the Company lawfully available therefor, provided no dividends shall exceed the amount recommended by the Directors. No dividend or other distribution shall be paid except out of the realised or unreleased profits of the Company, out of the share premium account or as otherwise permitted by law.

The Directors may from time to time pay to the members of the Company such interim dividends as appear to the Directors to be justified by the profits of the Company. The Directors may in addition from time to time declare and pay special dividends on shares of such amounts and on such dates as they think fit.

Except as otherwise provided by the rights attached to any shares, all dividends and other distributions shall be paid according to the amounts paid up on the shares that a member holds during any portion or portions of the period in respect of which the dividend is paid. For this purpose no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may deduct from any dividends or other distribution payable to any member of the Company all sums of money (if any) then payable by the member to the Company on account of calls or otherwise. The Directors may retain any dividends or other monies payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.

No dividend shall carry interest against the Company. Except as otherwise provided by the rights attached to any shares, dividends and other distributions may be paid in any currency.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other monies payable in cash in respect of shares may be paid by wire transfer to the holder or by cheque or warrant sent through the post directed to the registered address of the holder or, in the case of joint holders, to the registered address of the holder who is first named on the register of members of the Company or to such person and to such address as the holder or joint holders may in writing direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent. Any one of two or more joint holders may give effectual receipts for any dividends, other distributions, bonuses, or other monies payable in respect of the shares held by them as joint holders.

Any dividend or other distribution which remains unclaimed after a period of six years from the date on which such dividend or distribution becomes payable shall be forfeited and shall revert to the Company.

The Directors, with the sanction of the members of the Company by ordinary resolution, may resolve that any dividend or other distribution be paid wholly or partly by the distribution of specific assets, and in particular (but without limitation) by the distribution of shares, debentures, or securities of any other company or in any one or more of such ways, and where any difficulty arises in regard to such distribution, the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets or any part thereof and may determine that cash payments shall be made to any members of the Company upon the basis of the value so fixed in order to adjust the rights of all members, and may vest any such specific assets in trustees as may seem expedient to the Directors.

2.15 Proxies

A member of the Company entitled to attend and vote at a general meeting of the Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. Votes may be given either personally or by proxy. A proxy need not be a member of the Company. A member may appoint any number of proxies to attend in his stead at any one general meeting or at any one class meeting.

The instrument appointing a proxy shall be in writing and shall be executed under the hand of the appointor or of his attorney duly authorised in writing, or, if the appointor is a corporation or other non-natural person, under the hand of its duly authorised representative.

The Directors shall, in the notice convening any meeting or adjourned meeting, or in an instrument of proxy sent out by the Company, specify the manner (including by electronic means) by which the instrument appointing a proxy shall be deposited and the place and the time (being not later than the time appointed for the commencement of the meeting or adjourned meeting to which the proxy relates) at which the instrument appointing a proxy shall be deposited.

The instrument appointing a proxy may be in any usual or common form (or such other form as the Directors may approve) and may be expressed to be for a particular meeting or any adjournment thereof or generally until revoked.

2.16 Calls on shares and forfeiture of shares

Subject to the terms of the allotment and issue of any shares, the Directors may make calls upon the members of the Company in respect of any monies unpaid on their shares (whether in respect of par value or premium), and each member of the Company shall (subject to receiving at least 14 clear days' notice specifying the times or times of payment) pay to the Company at the time or times so specified the amount called on his shares. A call may be revoked or postponed, in whole or in part, as the Directors may determine. A call may be required to be paid by instalments. A person upon whom a call is made shall remain liable for calls made upon him, notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and instalments due in respect of such share.

If a call remains unpaid after it has become due and payable, the person from whom it is due shall pay interest on the amount unpaid from the day it became due and payable until it is paid at such rate as the Directors may determine (and in addition all expenses that have been incurred by the Company by reason of such non-payment), but the Directors may waive payment of the interest or expenses wholly or in part.

If any call or instalment of a call remains unpaid after it has become due and payable, the Directors may give to the person from whom it is due not less than 14 clear days' notice requiring payment of the amount unpaid together with any interest which may have accrued and any expenses incurred by the Company by reason of such non-payment. The notice shall specify where payment is to be made and shall state if the notice is not complied with the shares in respect of which the call was made will be liable to be forfeited.

If such notice is not complied with, any share in respect of which it was given may, before the payment required by the notice has been made, be forfeited by a resolution of the Directors. Such forfeiture shall include all dividends, other distributions or other monies payable in respect of the forfeited shares and not paid before the forfeiture.

A forfeited share may be sold, re-allotted or otherwise disposed of on such terms and in such manner as the Directors think fit.

A person any of whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares and shall surrender to the Company for cancellation the certificate for the shares forfeited and shall remain liable to pay to the Company all monies which at the date of forfeiture were payable by him to the Company in respect of the shares, together with interest at such rate as the Directors may determine, but that person's liability shall cease if and when the Company shall have received payment in full of all monies due and payable by them in respect of those shares.

2.17 Inspection of register of members

The Company shall maintain or cause to be maintained the register of members of the Company in accordance with the Companies Act. The Directors may, on giving 10 business days' notice (or 6 business days' notice in the case of a rights issue) by advertisement published on the Stock Exchange's website or, subject to the Listing Rules, in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, close the register of members at such times and for such periods as the Directors may determine, either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine, provided that such period shall not be extended beyond 60 days in any year).

Except when the register is closed, the register of members shall during business hours be kept open for inspection by any member of the Company without charge.

2.18 Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present. Two members of the Company present in person or by proxy, or if a corporation or other non-natural person by its duly authorised representative or proxy, shall be a quorum unless the Company has only one member entitled to vote at such general meeting in which case the quorum shall be that one member present in person or by proxy, or in the case of a corporation or other non-natural person by its duly authorised representative or proxy.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in paragraph 2.3 above.

2.19 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

2.20 Procedure on liquidation

Subject to the Companies Act, the Company may by special resolution resolve that the Company be wound up voluntarily.

Subject to the rights attaching to any shares, in a winding up:

(a) if the assets available for distribution amongst the members of the Company shall be insufficient to repay the whole of the Company's paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members of the Company in proportion to the capital paid up, or which ought to have been paid up, on the shares held by them at the commencement of the winding up;

(b) if the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the Company's paid up capital at the commencement of the winding up, the surplus shall be distributed amongst the members of the Company in proportion to the capital paid up on the shares held by them at the commencement of the winding up.

If the Company shall be wound up, the liquidator may with the approval of a special resolution of the Company and any other approval required by the Companies Act, divide amongst the members of the Company in kind the whole or any part of the assets of the Company (whether such assets shall consist of property of the same kind or not) and may, for that purpose, value any assets and determine how the division shall be carried out as between the members or different classes of members of the Company. The liquidator may, with the like approval, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like approval, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

2.21 Untraceable members

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (a) all cheques or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (b) the Company has not during that time or before the expiry of the three month period referred to in (d) below received any indication of the whereabouts or existence of the member; (c) during the 12-year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (d) upon expiry of the 12-year period, the Company has caused an advertisement to be published in the newspapers or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The [**REDACTED**] of any such sale shall belong to the Company and upon receipt by the Company of such [**REDACTED**] it shall become indebted to the former member for an amount equal to such [**REDACTED**].

SUMMARY OF CAYMAN ISLANDS COMPANY LAW AND TAXATION

1 Introduction

The Companies Act is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Companies Act and the current Companies Act of England. Set out below is a summary of certain provisions of the Companies Act, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

2 Incorporation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on December 14, 2020 under the Companies Act. As such, its operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorised share capital.

3 Share Capital

The Companies Act permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The Companies Act provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premia on those shares shall be transferred to an account called the "share premium account". At the option of a company, these provisions may not apply to premia on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies

Act provides that the share premium account may be applied by a company, subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation:

(a) paying distributions or dividends to members;

(b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

(c) in the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Act);

(d) writing-off the preliminary expenses of the company;

(e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and

(f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Act provides that, subject to confirmation by the Grand Court of the Cayman Islands, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

Subject to the detailed provisions of the Companies Act, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. The manner of such a purchase must be authorised either by the articles of association or by an ordinary resolution of the company. The articles of association may provide that the manner of purchase may be determined by the directors of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and to act in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

4 Dividends and Distributions

With the exception of section 34 of the Companies Act, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of the Companies Act permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 3 above for details).

5 Shareholders' Suits

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which is *ultra vires* the company or illegal, (b) an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

6 Protection of Minorities

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

7 Disposal of Assets

The Companies Act contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

8 Accounting and Auditing Requirements

The Companies Act requires that a company shall cause to be kept proper books of account with respect to:

(a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;

(b) all sales and purchases of goods by the company; and

(c) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

9 Register of Members

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may from time to time think fit. There is no requirement under the Companies Act for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

10 Inspection of Books and Records

Members of a company will have no general right under the Companies Act to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

11 Special Resolutions

The Companies Act provides that a resolution is a special resolution when it has been passed by a majority of at least two-thirds of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given, except that a company may in its articles of association specify that the required majority shall be a number greater than two-thirds, and may additionally so provide that such majority (being not less than two-thirds) may differ as between matters required to be approved by a special resolution. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorised by the articles of association of the company.

12 Subsidiary Owning Shares in Parent

The Companies Act does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

13 Mergers and Consolidations

The Companies Act permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) "merger" means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) "consolidation" means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorised by (a) a special resolution of each constituent company and (b) such other authorisation, if any, as may be specified in such constituent company's articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

14 Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by (a) 75% in value of shareholders, or (b) a majority in number representing 75% in value of creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated, the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

15 Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require

the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

16 Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

17 Restructuring

A company may present a petition to the Grand Court of the Cayman Islands for the appointment of a restructuring officer on the grounds that the company:

(a) is or is likely to become unable to pay its debts; and

(b) intends to present a compromise or arrangement to its creditors (or classes thereof) either pursuant to the Companies Act, the law of a foreign country or by way of a consensual restructuring.

The Grand Court may, among other things, make an order appointing a restructuring officer upon hearing of such petition, with such powers and to carry out such functions as the court may order. At any time (i) after the presentation of a petition for the appointment of a restructuring officer but before an order for the appointment of a restructuring officer has been made, and (ii) when an order for the appointment of a restructuring officer is made, until such order has been discharged, no suit, action or other proceedings (other than criminal proceedings) shall be proceeded with or commenced against the company, no resolution to wind up the company shall be passed, and no winding up petition may be presented against the company, except with the leave of the court. However, notwithstanding the presentation of a petition for the appointment of a restructuring officer or the appointment of a restructuring officer, a creditor who has security over the whole or part of the assets of the company is entitled to enforce the security without the leave of the court and without reference to the restructuring officer appointed.

18 Liquidation

A company may be placed in liquidation compulsorily by an order of the court, or voluntarily (a) by a special resolution of its members if the company is solvent, or (b) by an ordinary resolution of its members if the company is insolvent. The liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

19 Stamp Duty on Transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

20 Taxation

Pursuant to section 6 of the Tax Concessions Act (As Revised) of the Cayman Islands, the Company may obtain an undertaking from the Financial Secretary of the Cayman Islands:

(a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and

(b) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:

  (i) on or in respect of the shares, debentures or other obligations of the Company; or

  (ii) by way of the withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Act (As Revised).

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to the Company.

21 Exchange Control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

22 General

Maples and Calder (Hong Kong) LLP, the Company's legal advisors on Cayman Islands law, have sent to the Company a letter of advice summarising aspects of Cayman Islands Company Law. This letter, together with a copy of the Companies Act, is on display on the websites as referred to in the section headed "Documents on display" in Appendix V. Any person wishing to have a detailed summary of Cayman Islands Company Law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation of Our Company

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Cayman Companies Act on December 14, 2020 with the name "WuXi XDC Cayman Inc." Our registered office address is at the offices of Maples Corporate Services Limited at PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. Accordingly, our corporate structure and Memorandum and Articles of Association are subject to the relevant laws of the Cayman Islands. A summary of our Memorandum and Articles of Association is set out in Appendix III to this document.

We have established a place of business in 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong and has been registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on June 26, 2023. Ms. Wong Hoi Ting has been appointed as our authorized person of our Company for the acceptance of service of process in Hong Kong. The address for service of process is 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong.

2. Changes in Share Capital of Our Company

On December 14, 2020, being the date of incorporation of our Company, our authorized share capital was US$50,000, divided into 50,000 ordinary shares of a par value of US$1.00 each.

On December 14, 2020, one share of a par value of US$1.00 each of our Company was issued and allotted to the initial subscriber, Mapcal Limited, which in turn on the same day transferred the one share to WuXi Biologics.

On June 4, 2021, our Company repurchased one ordinary share of a par value of US$1.00 from WuXi Biologics and then issued and allotted three and two new ordinary shares of a par value of US$1.00 each to WuXi Biologics and STA Pharmaceutical, respectively.

On September 13, 2021, our Company underwent a subdivision of shares whereby each issued and unissued ordinary share of a par value of US$1.00 was subdivided into 20,000 ordinary shares of a par value of US$0.00005 each, such that following such subdivision, the authorized share capital of our Company was US$50,000 divided into 1,000,000,000 ordinary shares of a par value of US$0.00005 each.

On June 30, 2023, our authorized share capital was increased from US$50,000 divided into 1,000,000,000 ordinary shares of a par value of US$0.00005 each to US$500,000 divided into 10,000,000,000 ordinary shares of a par value of US$0.00005 each.

Save as disclosed above, there has been no alteration in the share capital of our Company during the two years immediately preceding the date of this document.

3. Changes in the Share Capital of Our Subsidiaries

The following sets out the changes in share capital or registered capital of our subsidiaries which have taken place within the two years preceding the date of this document:

XDC Hong Kong

On June 7, 2021, XDC Hong Kong was incorporated in Hong Kong as a limited liability company with an initial registered capital of HK$1.00.

XDC Shanghai

On March 31, 2021, XDC Shanghai was established in the PRC as a limited liability company with an initial registered share capital of RMB30 million.

XDC Changzhou

On July 2, 2021, XDC Changzhou was established in the PRC as a limited liability company with an initial registered share capital of RMB300 million.

XDC Singapore

On November 16, 2022, XDC Singapore was incorporated in Singapore as a limited liability company with an initial registered capital of US$5 million.

Save as disclosed above, there has been no alterations in the share capital of our subsidiaries within two years immediately preceding the date of this document.

4. Resolutions in writing of our Shareholders passed on [●], 2023

Pursuant to the written resolutions passed by our Shareholders on [●], 2023, the following resolutions, among others, were duly passed:

(a) conditional on (aa) the Listing Committee granting [**REDACTED**] of, and permission to deal in, the Shares in issue and to be issued as mentioned in this document; and (bb) the obligations of the [**REDACTED**] under the [**REDACTED**] becoming unconditional and not being terminated in accordance with the terms of the [**REDACTED**] or otherwise:

(i) the Memorandum and Articles of Association were approved and adopted effective upon [**REDACTED**]; and

(ii) the [**REDACTED**] and the [**REDACTED**] were approved and our Directors were authorized to allot and issue Shares pursuant to the [**REDACTED**] and such number of Shares as may be required to be allotted and issued upon the exercise of the [**REDACTED**];

(b) a general unconditional mandate was given to our Directors to allot, issue and deal with Shares or securities convertible into Shares and to make or grant offers, agreements or options (including any warrants, bonds, notes and debentures conferring any rights to subscribe for or otherwise receive Shares) which would or might require Shares to be allotted, issued or dealt with, with an aggregate number of Shares (otherwise than pursuant to, or in consequence of, the [**REDACTED**], a rights issue or pursuant to the exercise of any subscription rights which may be granted under the [**REDACTED**] Share Option Schemes and any other share incentive scheme or any scrip dividend scheme or similar arrangements, any adjustment of rights to subscribe for Shares under options and warrants or a special authority granted by our Shareholders or an issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association), not exceeding the sum of 20% of the issued share capital immediately following the completion of the [**REDACTED**] but excluding any Shares,

which may be issued pursuant to the exercise of the [**REDACTED**] and the options granted under the [**REDACTED**] Share Option Schemes, until the conclusion of our next annual general meeting, or the passing of an ordinary resolution by the Shareholders renewing, revoking or varying the authority to our Directors, whichever occurs first;

(c) a general unconditional mandate (the "**Repurchase Mandate**") was given to our Directors to exercise all powers of our Company to purchase Shares with an aggregate number of Shares of not exceeding 10% of the issued share capital of our Company immediately following the completion of the [**REDACTED**] but excluding any Shares, which may be issued pursuant to the exercise of the [**REDACTED**] and the options granted under the [**REDACTED**] Share Option Schemes until the conclusion of our next annual general meeting, or the passing of an ordinary resolution by the Shareholders renewing, revoking or varying the authority given to our Directors, whichever occurs first; and

(d) the extension of the general mandate to allot, issue and deal with Shares to include the number of Shares repurchased pursuant to paragraph (c) above.

5. Restrictions on Repurchase

This section sets out information required by the Stock Exchange to be included in this document concerning the repurchase by our Company of its own securities.

(a) Provisions of the Listing Rules

The Listing Rules permit companies with a primary [**REDACTED**] on the Stock Exchange to repurchase their own securities on the Stock Exchange subject to certain restrictions, the more important of which are summarized below:

(i) Shareholders' approval

All proposed repurchase of securities (which must be fully paid up in the case of shares) by a company with a primary [**REDACTED**] on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

(ii) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles of Association of our Company, the Listing Rules and the applicable laws of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Subject to the foregoing, any repurchases by our Company may be made out of profits, or out of the proceeds of a new issue of shares made for the purpose of the repurchase, or from sums standing to the credit of our share premium account or out of capital, if so authorized by the Articles of Association and subject to the Cayman Companies Act. Any amount of premium payable on the purchase over the par value of the shares to be repurchased must be paid out of profits, or from sums standing to the credit of our Company's share premium account.

On the basis of the current financial position of us as disclosed in this document and taking into account the current working capital position of us, our Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of us as compared with the position disclosed in this document. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in these circumstances, have a material adverse effect on our working capital requirements or the gearing levels, which in the opinion of our Directors, are from time to time appropriate for us.

(iii) Trading restrictions

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, options or similar instruments requiring the company to issue securities, which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. The Listing Rules also prohibit a listed company from repurchasing its securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(iv) Status of repurchased Shares

All repurchased securities (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those securities must be cancelled and destroyed. Under the laws of the Cayman Islands, unless, prior to the repurchase, the Directors resolve to hold the Shares repurchased by our Company as treasury shares, Shares repurchased by our Company shall be treated as cancelled and the amount of our Company's issued share capital shall be diminished by the nominal value of these Shares. However, the repurchase of Shares will not be taken as reducing the amount of the authorized share capital under Cayman Islands laws.

(v) Suspension of repurchase

A listed company may not make any repurchase of securities after inside information has come to the knowledge of our Company until such time as the inside information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of: (i) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the Listing Rules.

(vi) Reporting requirements

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such purchase, where relevant, and the aggregate prices paid.

(vii) Connected persons

A listed company is prohibited from knowingly repurchasing securities on the Stock Exchange from a "connected person", that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or their associates and a connected person is prohibited from knowingly selling his securities to the company.

(viii) General

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any Shares to our Company or our subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

If, as a result of a securities repurchase, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules or waived by the Stock Exchange).

No connected person of our Company has notified us that he/she/it has a present intention to sell Shares to our Company, or has undertaken not to do so if the Repurchase Mandate is exercised.

(b) Reasons for Repurchases

Our Directors believe that it is in the best interest of our Company and Shareholders for our Directors to have general authority from the Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such repurchases will benefit our Company and Shareholders.

B. CORPORATE ORGANIZATION

Please refer to the section headed "History, Reorganization and Corporate Structure" in this document.

C. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by us or any of our subsidiaries within the two years preceding the date of this document that are or may be material:

(a) Deed of Non-Competition; and

(b) the [**REDACTED**].

2. Intellectual Property Rights of our Group

As of the Latest Practicable Date, our Company has registered, or has applied for the registration of the following intellectual property rights which were material to our Group's business.

(a) Trademarks

As of the Latest Practicable Date, we have applied for registration the following trademarks in Hong Kong which, in the opinion of our Directors, is material to our business:

No.	Application Number	Trademark	Class	Name of Applicant	Application Date
1.	306240032		40,42	XDC Wuxi	May 10, 2023
2.	306240041		40,42	XDC Wuxi	May 10, 2023
3.	306240069		40,42	XDC Wuxi	May 10, 2023

No.	Application Number	Trademark	Class	Name of Applicant	Application Date
4.	306240078	 	40,42	XDC Wuxi	May 10, 2023
5.	306240087	 	40,42	XDC Wuxi	May 10, 2023
6.	306240050	XDC	40,42	XDC Wuxi	May 10, 2023
7.	306240096	WuXi XDC	40,42	XDC Wuxi	May 10, 2023
8.	306272262	 	40,42	XDC Wuxi	June 16, 2023

As of the Latest Practicable Date, we have registered the following trademark in the PRC which, in the opinion of our Directors, is material to our business:

No.	Registration Number	Trademark	Class	Name of Registered Proprietor	Expiry Date
1.	47650788	WuXiDAR4	42	XDC Wuxi	March 20, 2031
2.	56445096	藥明合聯	40	XDC Wuxi	December 13, 2031
3.	56411395	藥明合聯	42	XDC Wuxi	December 13, 2031

(b) Patents

As of the Latest Practicable Date, we have registered the following patents which we considered to be material to our business:

No.	Registration Number	Description	Type of Patent	Patent Owner	Issuance Date	Expiry Date
1.	11478553	Process for preparing antibody-drug conjugates with improved homogeneity	Utility – NSPCT	XDC Singapore[(1)]	October 25, 2022	February 14, 2040

No.	Registration Number	Description	Type of Patent	Patent Owner	Issuance Date	Expiry Date
2.	JP,7232925,B	Process for preparing antibody-drug conjugates with improved homogeneity	Utility – NSPCT	XDC Singapore(2)	February 22, 2023	February 14, 2040
3.	No.I756633	Process for preparing antibody-drug conjugates with improved homogeneity	Utility – ORG	XDC Shanghai(3)	March 1, 2022	February 13, 2040

Notes:

(1) The original patent owner was WuXi Biologics Ireland Limited and the transfer/assignment of the patent to XDC Singapore was completed on April 5, 2023

(2) The original patent owner was WuXi Biologics Ireland Limited and the transfer/assignment of the patent to XDC Singapore was completed on April 25, 2023

(3) The original patent owner was Biologics (Shanghai) and the transfer/assignment of the patent to XDC Shanghai was completed on May 24, 2023

As of the Latest Practicable Date, we have applied for the registration of the following patents which we considered to be material to our business:

No.	Application Number	Description	Type of Patent	Patent Applicant	Application Date
1.	201980076936.3	Ortho-Phthalaldehyde containing linkers and use for preparation of antibody-drug conjugate	Utility – NSPCT	XDC Shanghai(1)	November 21, 2019
2.	202080014311.7	Process for preparing antibody-drug conjugates with improved homogeneity	Utility – NSPCT	XDC Shanghai(2)	February 14, 2020
3.	20755234.0	Process for preparing antibody-drug conjugates with improved homogeneity	Utility – NSPCT	XDC Singapore(3)	February 14, 2020
4.	10-2021-7028033	Process for preparing antibody-drug conjugates with improved homogeneity	Utility – NSPCT	XDC Singapore(4)	February 14, 2020
5.	17/410,574	Process for preparing antibody-drug conjugates with improved homogeneity	Utility – CON	XDC Singapore(5)	August 24, 2021
6.	202010657958.3	Process for preparing antibody-drug conjugates and high-throughput screening method thereof	Utility ORG	XDC Shanghai(6)	July 9, 2020
7.	2020318112	Polypeptide complex for conjugation and use thereof	Utility – NSPCT	XDC Singapore(7)	July 17, 2020

No.	Application Number	Description	Type of Patent	Patent Applicant	Application Date
8.	3147690	Polypeptide complex for conjugation and use thereof	Utility – NSPCT	XDC Singapore[8]	July 17, 2020
9.	202080051466.8	Polypeptide complex for conjugation and use thereof	Utility – NSPCT	XDC Shanghai[9]	July 17, 2020
10.	20843748.3	Polypeptide complex for conjugation and use thereof	Utility – NSPCT	XDC Singapore[10]	July 17, 2020
11.	2022-503470	Polypeptide complex for conjugation and use thereof	Utility – NSPCT	XDC Singapore[11]	July 17, 2020
12.	10-2022-7004563	Polypeptide complex for conjugation and use thereof	Utility – NSPCT	XDC Singapore[12]	July 17, 2020
13.	11202200109P	Polypeptide complex for conjugation and use thereof	Utility – NSPCT	XDC Singapore[13]	July 17, 2020
14.	17/628,008	Polypeptide complex for conjugation and use thereof	Utility – NSPCT	XDC Singapore[14]	July 17, 2020
15.	109124339	Polypeptide complex for conjugation and use thereof	Utility – ORG	XDC Shanghai[15]	July 17, 2020
16.	PCT/ CN2022/117308[19]	Process for preparing highly homogenous antibody-drug conjugates for engineered antibodies	Utility – ORG	XDC Shanghai/ XDC Singapore[16]	September 6, 2022
17.	PCT/ CN2022/072469[19]	Engineered anti-trop2 antibody and antibody-drug conjugate thereof	Utility – ORG	XDC Shanghai/ XDC Singapore[17]	January 18, 2022
18.	PCT/ CN2022/072296[19]	An engineered antibody and antibody drug conjugates comprising same	Utility – ORG	XDC Shanghai/ XDC Singapore[18]	January 17, 2022

Notes:

(1) The original patent owner was Biologics (Shanghai) and the transfer/assignment of the patent application to XDC Shanghai was completed on June 29, 2023

(2) The original patent owner was Biologics (Shanghai) and the transfer/assignment of the patent application to XDC Shanghai was completed on April 25, 2023

(3) The original patent owner was WuXi Biologics Ireland Limited and the transfer/assignment of the patent application to XDC Singapore was completed on April 25, 2023

(4) The original patent owner was WuXi Biologics Ireland Limited and the transfer/assignment of the patent application to XDC Singapore was completed on April 19, 2023

(5) The original patent owner was WuXi Biologics Ireland Limited and the transfer/assignment of the patent application to XDC Singapore was completed on April 5, 2023

(6) The original patent owner was Biologics (Shanghai) and the transfer/assignment of the patent application to XDC Shanghai was completed on April 27, 2023

(7) The original patent owner was WuXi Biologics Ireland Limited and the transfer/assignment of the patent application to XDC Singapore was completed on April 27, 2023

(8) The original patent owner was WuXi Biologics Ireland Limited and the transfer/assignment of the patent application to XDC Singapore was completed on May 1, 2023

(9) The original patent owner was Biologics (Shanghai) and the transfer/assignment of the patent application to XDC Shanghai was completed on May 12, 2023

(10) The original patent owner was WuXi Biologics Ireland Limited and the transfer/assignment of the patent application to XDC Singapore was completed on May 17, 2023

(11) The original patent owner was WuXi Biologics Ireland Limited and the transfer/assignment of the patent application to XDC Singapore was completed on April 17, 2023

(12) The original patent owner was WuXi Biologics Ireland Limited and the transfer/assignment of the patent application to XDC Singapore was completed on March 30, 2023

(13) The original patent owner was WuXi Biologics Ireland Limited and the transfer/assignment of the patent application to XDC Singapore was completed on March 31, 2023

(14) The original patent owner was WuXi Biologics Ireland Limited and the transfer/assignment of the patent application to XDC Singapore was completed on April 5, 2023

(15) The original patent owner was Biologics (Shanghai) and the transfer/assignment of the patent application to XDC Shanghai was completed on April 17, 2023

(16) The original patent owners were Biologics (Shanghai) and WuXi Biologics Ireland Limited and the transfer/assignment of the patent application to XDC Shanghai and XDC Singapore was completed on March 31, 2023

(17) The original patent owners were Biologics (Shanghai) and WuXi Biologics Ireland Limited and the transfer/assignment of the patent application to XDC Shanghai and XDC Singapore was completed on April 27, 2023

(18) The original patent owners were Biologics (Shanghai) and WuXi Biologics Ireland Limited and the transfer/assignment of the patent application to XDC Shanghai and XDC Singapore was completed on April 17, 2023

(19) PCT refers to the Patent Cooperation Treaty, which assists applicants in seeking patent protection internationally for their inventions and covers all countries/regions which are party to the Patent Cooperation Treaty on the date the PCT application is filed.

(c) Domain Names

As of the Latest Practicable Date, we owned the following domain names which we consider to be or may be material to our business:

No.	Domain Name	Name of Registered Proprietor	Registration Date	Expiry Date
1.	wuxixdc.com	XDC Wuxi	June 13, 2022	June 13, 2024
2.	wuxixdc.cn	XDC Wuxi	May 14, 2021	May 14, 2024
3.	wuxixdc.com.cn	XDC Wuxi	May 14, 2021	May 14, 2024

Save as aforesaid, as of the Latest Practicable Date, there were no other trade or service marks, patents, intellectual or industrial property rights which were material in relation to our business.

D. FURTHER INFORMATION OF OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Directors' Service Contracts and Appointment Letters

Executive Directors

Each of the executive Directors has [entered] into a service contract with our Company pursuant to which they agreed to act as executive Directors for a term of three years with effect from [●], 2023 or their respective appointment dates, renewable by mutual consent. The office of a Director is liable to be vacated in certain circumstances pursuant to the Articles of Association. The appointment of each of the executive Directors may be terminated by either party by giving at least [three] months' written notice to the other. The appointments are subject to the provisions of retirement and rotation of Directors under the Articles of Association.

Non-executive Directors

Each of the non-executive Directors has [entered] into a service contract with our Company pursuant to which they agreed to act as non-executive Directors for a term of three years with effect from [●], 2023 or their respective appointment dates, renewable by mutual consent. The office of a Director is liable to be vacated in certain circumstances pursuant to the Articles of Association. The appointment of the non-executive Directors may be terminated by either party by giving at least [three] months' written notice to the other. The appointments are subject to the provisions of retirement and rotation of Directors under the Articles of Association.

Independent non-executive Directors

Each of the independent non-executive Directors has [signed] a letter of appointment with us for a term of three years commencing from [●], 2023, renewable by mutual consent. The appointment of each of the independent non-executive Directors may be terminated by either party giving at least [three] months' written notice to the other. The appointments are subject to the provisions of retirement and rotation of Directors under the Articles of Association.

Save as aforesaid, none of our Directors has or is proposed to have a service contract with our Company or any of our subsidiaries other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

2. Directors' Remuneration

For details of our Directors' remuneration, see the section headed "Directors and Senior Management — Emolument of Directors and Senior Management" in this document and Note 37 to the Accountants' Report as set out in Appendix I to this document.

3. Disclosure of Interests of substantial shareholders

Save as disclosed in the section headed "Substantial Shareholders" in this document, immediately following the completion of the [**REDACTED**] and assuming the [**REDACTED**] is not exercised and without taking into account any Shares which may be issued upon exercise of the share options granted under the [**REDACTED**] Share Option Schemes, our Directors are not aware of any other person (not being a Director or chief executive of our Company) who will have an interest or short position in our Shares or the underlying Shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the issued voting shares of our Company.

Save as disclosed in this document, immediately following the completion of the [**REDACTED**], no persons will, directly or indirectly, be interested in 10% or more of the issued voting shares of any member of our Group.

4. Disclosure of interests of Directors and Chief Executive of our Company

Immediately following completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised and without taking into account any Shares which may be issued upon exercise of the share options granted under the [**REDACTED**] Share Option Schemes), the interests or short positions of our Directors or chief executives in the Shares, underlying Shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange, under the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**"), are listed will be as follows:

Name of Director	Name of Group member/associated corporation	Capacity/Nature of interest	Number and class of Shares/underlying Shares[(1)]	Approximate percentage of shareholding interest
Dr. Jincai Li	Our Company	Beneficial owner[(2)]	[**REDACTED**]	[**REDACTED**]%
	WuXi Biologics	Beneficial owner[(3)]	[**REDACTED**]	[**REDACTED**]%
Mr. Jerry Jingwei Zhang	Our Company	Beneficial owner[(4)]	[**REDACTED**]	[**REDACTED**]%
	WuXi Biologics	Beneficial owner[(5)]	[**REDACTED**]	[**REDACTED**]%
Mr. Xiaojie Xi	Our Company	Beneficial owner[(6)]	[**REDACTED**]	[**REDACTED**]%
Dr. Zhisheng Chen	WuXi Biologics	Beneficial owner[(7)]	[**REDACTED**]	[**REDACTED**]%
		Founder of a discretionary trust[(8)]	[**REDACTED**]	[**REDACTED**]%
Dr. Weichang Zhou	WuXi Biologics	Beneficial owner[(9)]	[**REDACTED**]	[**REDACTED**]%
Ms. Ming Shi	WuXi Biologics	Interest of spouse[(10)]	[**REDACTED**]	[**REDACTED**]%

Notes:

(1) The letter "L" denotes the person's long position in the Shares.

(2) Interests in options granted pursuant to the 2021 [**REDACTED**] Share Option Scheme and the 2023 [**REDACTED**] Share Option Scheme.

(3) Interests in restricted share units granted pursuant to the restricted share award scheme adopted by WuXi Biologics on January 15, 2018 (the "**WXB Restricted Share Award Scheme**") and/or the share award scheme for global partner program adopted by WuXi Biologics on June 16, 2021 (the "**WXB Global Partner Program Share Scheme**").

(4) Interests in options granted pursuant to the 2023 [**REDACTED**] Share Option Scheme.

(5) Interests in restricted share units granted pursuant to the WXB Restricted Share Award Scheme and/or the WXB Global Partner Program Share Scheme.

(6) Interests in options granted pursuant to the 2023 [**REDACTED**] Share Option Scheme.

(7) Interests in restricted shares granted pursuant to the WXB Restricted Share Award Scheme and/or the WXB Global Partner Program Share Scheme and the interests in options granted pursuant to the [**REDACTED**] share option scheme adopted by WuXi Biologics on January 5, 2016, and amended on August 10, 2016 (the "**WXB [REDACTED] Share Option Scheme**").

(8) Shares were held by Dr. Zhisheng Chen through a trust of which Dr. Zhisheng Chen is the settlor (founder) and his spouse and child are the beneficiaries.

(9) Interests in restricted shares granted pursuant to the WXB Restricted Share Award Scheme and/or the WXB Global Partner Program Share Scheme and the interests in options granted pursuant to the WXB [**REDACTED**] Share Option Scheme.

(10) Ms. Ming Shi is deemed to be interested in the [**REDACTED**] shares in WuXi Biologics held by her husband, Mr. Weimin Jiang.

Save as disclosed herein, none of the Directors or chief executive of our Company has any interests and short positions in the Shares, underlying Shares and debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he has taken or deemed to have taken under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to our Company and the Stock Exchange, in each case once the Shares are listed on the Stock Exchange.

5. Disclaimers

Save as disclosed in this document and as at the Latest Practicable Date:

(a) none of our Directors nor any of the parties listed in "Qualifications of Experts" of this Appendix was interested in, directly or indirectly, in the promotion of, or in any assets which have been, within two years immediately preceding the date of this document, acquired or disposed of by or leased to us, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(b) save in connection with the [**REDACTED**], none of our Directors nor any of the parties listed in the section headed "F. Other Information — 7. Qualifications of Experts" of this Appendix was materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to our Company's business;

(c) save in connection with the [**REDACTED**], none of the persons listed in the section headed "F. Other Information — 7. Qualifications of Experts" below has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

E. [REDACTED] SHARE OPTION SCHEMES

Our Company has adopted the 2021 [**REDACTED**] Share Option Scheme and the 2023 [**REDACTED**] Share Option Scheme on November 23, 2021 and March 22, 2023, respectively.

1. 2021 [REDACTED] Share Option Scheme

(a) Purpose

The purpose of the 2021 [**REDACTED**] Share Option Scheme is to enable our Company to grant options to eligible participants as incentives or rewards for their contribution to our Group so as to enable our Group to recruit and retain high-calibre employees and attract human resources that are valuable to our Group.

(b) No grant of options on or after the [REDACTED]

Save for the options which have been granted before the [**REDACTED**], no further options will be granted under the 2021 [**REDACTED**] Share Option Scheme on or after the [**REDACTED**].

(c) Administration

The 2021 [**REDACTED**] Share Option Scheme is to be administered by our Board whose decision in relation to the 2021 [**REDACTED**] Share Option Scheme or its interpretation or effect (save as otherwise provided therein) shall be final and binding on all parties. Subject to due compliance with the applicable laws and regulations, our Board shall have the right to (i) interpret and construe the provisions of the 2021 [**REDACTED**] Share Option Scheme; (ii) determine the persons who will be awarded options under the 2021 [**REDACTED**] Share Option Scheme, and the number and exercise price of options awarded thereto; (iii) make such appropriate and equitable adjustments to the terms of options granted under the 2021 [**REDACTED**] Share Option Scheme as it deems necessary; and (iv) make such other decisions or determinations as it shall deem appropriate in the administration of the 2021 [**REDACTED**] Share Option Scheme.

(d) Eligible participants

Eligible participants for the 2021 [**REDACTED**] Share Option Scheme include any full-time or part-time employees, executives, officers or Directors of our Group.

(e) Duration

(i) The 2021 [**REDACTED**] Share Option Scheme shall become valid and effective for a period of ten years commencing from the date of its adoption.

(ii) The life of the 2021 [**REDACTED**] Share Option Scheme is ten years. Our Board is entitled to, but shall not be bound, at any time within ten years after the adoption date of the 2021 [**REDACTED**] Share Option Scheme offer to grant an option to any eligible participant, as our Board may in its absolute discretion select, to take up an option pursuant to which such eligible participant may, during the share option period, subscribe for such number of our Shares as our Board may determine at the exercise price for the options. The offer of the grant of an option shall specify the terms on which the option is to be granted, including the number of our Shares that may be subscribed for, the exercise price, and may include at the discretion of our Board such other terms and conditions. Save as determined by our Board and provided in the offer to a grantee, the 2021 [**REDACTED**] Share Option Scheme does not specify that the options must be subject to any performance target and does not prescribe any specific minimum period for which an option must be held before it can be exercised.

(f) Maximum entitlement of each eligible participant

Each grant of options to any Director, chief executive or substantial shareholder of our Company (or any of their respective associates) shall be subject to the prior approval of the independent non-executive Directors (excluding any independent non-executive Director who is a proposed recipient of the grant of options). Where any grant of options to a substantial shareholder or an independent non-executive Director, or any of their respective associates, would result in our Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person under the 2021 [**REDACTED**] Share Option Scheme and the other schemes in the 12-month period up to and including the date of grant: (a) representing in aggregate over 0.1% (or such other percentage as may from time to time be provided under the Listing Rules) of our Shares in issue on the date of grant; and (b) if and when our Shares are [**REDACTED**] on the Stock Exchange, having an aggregate value, based on the official closing price of our Shares as stated in the daily quotation sheets of the Stock Exchange on the date of grant, in excess of HK$5 million or such other sum as maybe from

time to time provided under the Listing Rules, such further grant shall be subject to prior approval by the Shareholders at a duly convened general meeting at which the grantee, his associates and all core connected persons of our Company who has an interest shall abstain from voting in favor of the resolution concerning the grant of such option, and/or such other requirements prescribed under the Listing Rules from time to time.

(g) Maximum number of Shares

(i) The overall limit on the number of our Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2021 [**REDACTED**] Share Option Scheme and other share option schemes of our Company must not exceed 30% of our Shares in issue from time to time.

(ii) The maximum number of our Shares which may be issued upon exercise of all options to be granted under the 2021 [**REDACTED**] Share Option Scheme and other share option schemes of our Company shall not in aggregate exceed 10% of the total number of our Shares in issue as at the adoption date of the 2021 [**REDACTED**] Share Option Scheme (the "**2021 Scheme Mandate Limit**"). Options lapsed in accordance with the terms of the 2021 [**REDACTED**] Share Option Scheme will not be counted for the purpose of calculating the 2021 Scheme Mandate Limit.

(iii) Our Company may seek approval of the Shareholders in general meeting for refreshing the 2021 Scheme Mandate Limit under the 2021 [**REDACTED**] Share Option Scheme. However, the total number of our Shares which may be issued upon exercise of all options to be granted under all of the option schemes of our Company under the 2021 Scheme Mandate Limit as refreshed shall not exceed 10% of the total number of our Shares in issue as at the date of the aforesaid approval of the 2021 Scheme Mandate Limit. Options previously granted under the 2021 [**REDACTED**] Share Option Scheme and other share option schemes of our Company (including those outstanding, cancelled, lapsed in accordance with its terms or exercised options), will not be counted for the purpose of calculating the limit as refreshed. A circular must be sent to the Shareholders in connection with the meeting at which their approval will be sought.

(iv) Our Company may also seek separate approval of the Shareholders in general meeting for granting options beyond the 2021 Scheme Mandate Limit provided that the options exceeding the 2021 Scheme Mandate Limit are granted only to eligible participants specifically identified by our Board before such approval is sought. A circular shall be sent to the Shareholders containing a generic description of the specified eligible participants who may be granted such options, the number and terms of the options to be granted and the purpose of granting options to the specified eligible participants with an explanation as to how the terms of the options serve such purpose.

(v) The total number of our Shares issued and to be issued upon exercise of the options granted to each eligible participant (including both exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of our Shares in issue (the "**2021 Individual Limit**"). Any further grant of options to an eligible participant which would result in our Shares issued and to be issued upon exercise of all options granted and to be granted to such eligible participant (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of grant of such further grant of options exceeding the 2021 Individual Limit shall be subject to approval of the Shareholders in advance with such eligible participant

and his close associates (or his associates if such eligible participant is a connected person) abstaining from voting. A circular must be sent to the Shareholders disclosing the identity of such eligible participant and the number and terms of the options granted and to be granted. The number and terms of options to be granted to such eligible participants shall be fixed before Shareholders' approval is sought and the date of the Board meeting for proposing such further grant shall for all purposes be the date of grant for the purpose of calculating the exercise price of options.

(h) Offer and grant of options

An offer of the grant of an option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate of the offer document constituting acceptance of the offer duly signed by the grantee with the number of our Shares in respect of which the offer is accepted clearly stated therein, together with a payment in favor of our Company of HK$1.00 by way of consideration for the grant thereof is received by our Company on or before the relevant acceptance date, which being a date not later than 30 days after the relevant offer date. Such payment shall in no circumstances be refundable and shall be deemed as part payment of the exercise price.

(i) Exercise price

The exercise price of options payable by any grantee shall, subject to the adjustment referred to in paragraph (m) below, be in such amount as determined by our Board at its absolute discretion to be fair and reasonable on a case by case basis, after taking into account, among other things, the business performance of our Company, individual performance of the relevant grantee as well as the net asset value of our Company as shown in its latest available management accounts, provided that in the event that our Company resolves to seek a separate [**REDACTED**] of its shares on the Stock Exchange, the exercise price of any option granted after such resolution up to the [**REDACTED**] of our Company shall not be lower than the new issue price (if any); and in particular, any options granted during the period commencing six months before the lodgement of the [**REDACTED**] application and up to the [**REDACTED**] of our Company shall not be lower than the new issue price.

(j) Ranking of Shares

Our Shares to be allotted upon the exercise of an option shall be subject to all the provisions of the memorandum and articles of association of our Company and shall rank *pari passu* in all respects with and shall have the same voting, dividend, transfer and other rights, including those arising on liquidation of our Company as attached to the fully-paid our Shares in issue on the date of issue and rights in respect of any dividend or other distributions paid or made on or after the date of issue.

(k) Sufficient share capital

Subject to the terms of the 2021 [**REDACTED**] Share Option Scheme, our Board shall at all times set aside for the purpose of the 2021 [**REDACTED**] Share Option Scheme, out of the authorized but unissued share capital of our Company, such number of our Shares as our Board may from time to time determine to be sufficient to meet subsisting requirements for the exercise of outstanding options. No dividends shall be payable in relation to our Shares that are the subject of options that have not been exercised. Our Shares to be allotted upon the exercise of an option option shall not carry voting rights until completion of the registration of the grantee (or such other person nominated by the grantee) as the holder thereof.

(l) Lapse of options

Save as determined otherwise by our Board at its sole discretion, an option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

(i) the expiry date relevant to that option;

(ii) the expiry of any of the periods referred to in paragraph (q)(i), (ii), (iii), (iv) or (v);

(iii) the date on which the scheme of arrangement of our Company referred to in paragraph (q)(iv) becomes effective;

(iv) the date of the commencement of the winding-up of our Company;

(v) the date on which the grantee ceases to be an eligible participant by reason of the termination of his relationship with our Company or any of its subsidiaries on any one or more of the grounds that he has been guilty of serious misconduct or has been convicted of any criminal offence involving his integrity or honesty or in relation to an employee of our Company or any of its subsidiaries (if so determined by our Board) on any other ground on which an employer would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Company or its relevant subsidiary. A resolution of our Board, or the relevant subsidiary of our Company, to the effect that the relationship of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive; and

(vi) the date on which our Board shall exercise its right to cancel the option at any time after the grantee commits a breach of paragraph (p) or the options are cancelled in accordance with paragraph (n).

(m) Effect of alterations to share capital

In the event of any capitalization issue, rights issue, sub-division or consolidation of shares or reduction of capital of our Company, such corresponding alterations (if any) shall be made (except on an issue of securities of our Company as consideration in a transaction which shall not be regarded as a circumstance requiring alteration or adjustment) in:

(i) the number of our Shares subject to any outstanding option; and/or

(ii) the exercise price of options,

as the auditors or the approved independent financial adviser shall, at the request of our Company or any grantee, certify in writing either generally or as regards any particular grantee, to be in their opinion fair and reasonable, provided that any such alterations shall be made on the basis that a grantee shall have the same proportion of the equity capital of our Company as that to which that grantee was entitled to subscribe had he exercised all the options held by him immediately before such adjustments and the aggregate exercise price of options payable by a grantee on the full exercise of any option shall remain as nearly as possible the same as (but shall not be greater than) it was before such event and that no such alterations shall be made if the effect of such alterations would be to enable an our Share to be issued at less than its nominal value.

(n) Cancellation of the 2021 [**REDACTED**] *Share Option Scheme*

Any cancellation of options granted but not exercised must be approved by the grantees of the relevant options in writing. For the avoidance of doubt, such approval is not required in the event any option is cancelled pursuant to paragraph (p). Where our Company cancels options, the grant of new options to the same grantee may only be made under the 2021 [**REDACTED**] Share Option Scheme within the limits thereto.

(o) Termination

Our Board may at any time resolve to terminate the operation of the 2021 [**REDACTED**] Share Option Scheme and in such event no further options shall be offered but the provisions of the 2021 [**REDACTED**] Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior to the termination or otherwise as may be required in accordance with the provisions of the 2021 [**REDACTED**] Share Option Scheme and options granted prior to such termination shall continue to be valid and exercisable in accordance with the 2021 [**REDACTED**] Share Option Scheme.

(p) Options are personal

An option shall be personal to the grantee and shall not be transferable or assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favor of any third party over or in relation to any option held by him or any offer relating to the grant of an option made to him or attempt to do so (save that the grantee may nominate a nominee in whose name our Shares issued pursuant to the 2021 [**REDACTED**] Share Option Scheme may be registered). Any breach of the foregoing shall entitle our Company to cancel any outstanding option or any part thereof granted to such grantee.

(q) Exercise of options

Subject as hereinafter provided, an option may be exercised by the grantee at any time or times during the option period, provided that:

(i) in the event of the grantee ceasing to be an eligible participant for any reason other than on his death, ill-health, injury, disability or the termination of his relationship with our Company or any of its subsidiaries on one or more of the grounds specified in paragraph (l)(e), the grantee may exercise any option up to his entitlement at the date of cessation of being an eligible participant (to the extent not already exercised)within the period of one month (or such longer period as our Board may determine) following the date of such cessation (which date shall be, in relation to a grantee who is an eligible participant by reason of his employment with our Company or any of its subsidiaries, the last actual working day with our Company or its subsidiary whether salary is paid in lieu of notice or not);

(ii) in the case of the grantee ceasing to be an eligible participant by reason of death, ill-health, injury or disability (all evidenced to the satisfaction of our Board)and none of the events which would be a ground for termination of his relationship with our Company or any of its subsidiaries under paragraph (l)(e) has occurred, the grantee or the personal representative(s) of the grantee shall be entitled within a period of 12 months (or such longer period as our Board may determine) from the date of cessation of being an eligible participant or death to exercise the option in full (to the extent not already exercised);

(iii) if a general offer (whether by way of take-over offer, share repurchase offer or scheme of arrangement or otherwise in like manner) is made to all the holders of our Shares (or all such holders other than the offer or and/or any person controlled by the offeror and/or any person acting in association or in concert with the offeror), our Company shall use its best endeavors to procure that such offer is extended to all the grantees (on the same terms mutatis mutandis, and assuming that they shall become, by the exercise in full of the options granted to them, shareholders of our Company). If such offer, having been approved in accordance with applicable laws and regulatory requirements becomes, or is declared unconditional, the grantee (or his legal personal representative(s)) shall be entitled to exercise his option in full (to the extent not already exercised) at any time within 14 days after the date on which such general offer becomes or is declared unconditional;

(iv) if a compromise or arrangement between our Company and its members and/or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies, our Company shall give notice thereof to all the grantees (together with a notice of the existence of the provisions of this paragraph) on the same day as it despatches to members and/or creditors of our Company a notice summoning the meeting to consider such a compromise or arrangement, and thereupon each grantee shall be entitled to exercise all or any of his options in whole or in part at any time prior to 12:00 noon (Hong Kong time) on the Business Day immediately preceding the date of the meeting directed to be convened by the relevant court for the purposes of considering such compromise or arrangement and if there are more than one meeting for such purpose, the date of the first meeting. With effect from the date of such meeting, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapsed and determined. Our Board shall endeavor to procure that our Shares issued as a result of the exercise of options in such circumstances shall for the purposes of such compromise or arrangement form part of the issued share capital of our Company on the effective date thereof and that such our Shares shall in all respects be subject to such compromise or arrangement. If for any reason such compromise or arrangement is not approved by the relevant court (whether upon the terms presented to the relevant court or upon any other terms as may be approved by such court) the rights of the grantees to exercise their respective options shall with effect from the date of the making of the order by the relevant court be restored in full as if such compromise or arrangement had not been proposed by our Company and no claim shall lie against our Company or any of its officers for any loss or damage sustained by any grantee as a result of the aforesaid suspension; and

(v) in the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it despatches such notice to each member of our Company give notice thereof to all grantees and thereupon, each grantee (or in the case of the death of the grantee, his personal representative(s)) shall be entitled to exercise all or any of his options at any time not later than three Business Days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a payment for the full amount of the aggregate exercise price for our Shares

in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot the relevant our Shares to the grantee credited as fully paid.

Subject to the other terms of the 2021 [**REDACTED**] Share Option Scheme, save as determined otherwise by our Board at its sole discretion, an option (to the extent that it is exercisable pursuant to the above) may be exercised by a grantee at any time during the option period in four tranches as follows: (i) twenty percent (20%) of the options shall be vested on the date falling on the second (2nd) anniversary of the offer date; (ii) twenty percent (20%) of the options shall be vested on the date falling on the third (3rd) anniversary of the offer date; (iii) twenty percent (20%) of the options shall be vested on the date falling on the fourth (4th) anniversary of the offer date; and (iv) forty percent (40%) of the options shall be vested on the date falling on the fifth (5th) anniversary of the offer date. For the avoidance of doubt, any proportion of any option that has been vested shall be exercisable by the grantee from the relevant vesting date until the expiry of the share option period.

(r) Alteration of the 2021* [REDACTED] *Share Option Scheme

The terms and conditions of the 2021 [**REDACTED**] Share Option Scheme and the regulations for the administration and operation of the 2021 [**REDACTED**] Share Option Scheme (provided that the same are not inconsistent with the 2021 [**REDACTED**] Share Option Scheme and the Listing Rules) may be altered in any respect by resolution of our Board.

2. 2023 [REDACTED] Share Option Scheme

(a) Purpose

The purpose of the 2023 [**REDACTED**] Share Option Scheme is to enable our Company to grant options to eligible participants as incentives or rewards for their contribution to our Group so as to enable our Group to recruit and retain high-calibre employees and attract human resources that are valuable to our Group.

***(b) No grant of options on or after the* [REDACTED]**

Save for the options which have been granted before the [**REDACTED**], no further options will be granted under the 2023 [**REDACTED**] Share Option Scheme on or after the [**REDACTED**].

(c) Administration

The 2023 [**REDACTED**] Share Option Scheme is to be administered by our Board whose decision in relation to the 2023 [**REDACTED**] Share Option Scheme or its interpretation or effect (save as otherwise provided therein) shall be final and binding on all parties. Subject to due compliance with the applicable laws and regulations, our Board shall have the right to (i) interpret and construe the provisions of the 2023 [**REDACTED**] Share Option Scheme; (ii) determine the persons who will be awarded options under the 2023 [**REDACTED**] Share Option Scheme, and the number and exercise price of options awarded thereto; (iii) make such appropriate and equitable adjustments to the terms of options granted under the 2023 [**REDACTED**] Share Option Scheme as it deems necessary; and (iv) make such other decisions or determinations as it shall deem appropriate in the administration of the 2023 [**REDACTED**] Share Option Scheme.

(d) Eligible participants

Eligible participants for the 2023 [**REDACTED**] Share Option Scheme include any full-time or part-time employee, executive, officer, service provider or director (including executive, non-executive or independent non-executive director) of our Company or any member of our Group or any associated company, to be determined at the sole discretion of the Board.

(e) Duration

(i) The 2023 [**REDACTED**] Share Option Scheme shall become valid and effective for a period of ten years commencing from the date of its adoption.

(ii) The life of the 2023 [**REDACTED**] Share Option Scheme is ten years. Our Board is entitled to, but shall not be bound, at any time within ten years after the adoption date of the 2023 [**REDACTED**] Share Option Scheme offer to grant an option to any eligible participant, as our Board may in its absolute discretion select, to take up an option pursuant to which such eligible participant may, during the share option period, subscribe for such number of our Shares as our Board may determine at the exercise price for the options. The offer of the grant of an option shall specify the terms on which the option is to be granted, including the number of our Shares that may be subscribed for, the exercise price, and may include at the discretion of our Board such other terms and conditions. Save as determined by our Board and provided in the offer to a grantee, the 2023 [**REDACTED**] Share Option Scheme does not specify that the options must be subject to any performance target and does not prescribe any specific minimum period for which an option must be held before it can be exercised.

(f) Options to connected persons

If the Board determines to offer the grant any option to any connected persons of our Group, such grant shall be made in due compliance with the relevant requirements under the Listing Rules.

(g) Maximum number of Shares

(i) The overall limit on the number of our Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2023 [**REDACTED**] Share Option Scheme and other share option schemes of our Company must not exceed 30% of our Shares in issue from time to time.

(ii) The maximum number of our Shares which may be issued upon exercise of all options to be granted under the 2023 [**REDACTED**] Share Option Scheme and other share option schemes of our Company shall not in aggregate exceed 4% of the total number of our Shares in issue as at the adoption date of the 2023 [**REDACTED**] Share Option Scheme (the "**2023 Scheme Mandate Limit**"). Options lapsed in accordance with the terms of the 2023 [**REDACTED**] Share Option Scheme will not be counted for the purpose of calculating the 2023 Scheme Mandate Limit.

(iii) Our Company may seek approval of the Shareholders in general meeting for refreshing the 2023 Scheme Mandate Limit under the 2023 [**REDACTED**] Share Option Scheme. However, the total number of our Shares which may be issued upon exercise of all options to be granted under all of the option schemes of our Company under the 2023 Scheme Mandate Limit as refreshed shall not exceed 4% of the total number of our Shares in issue as at the date of the aforesaid approval of the 2023 Scheme Mandate Limit. Options previously granted under the 2023 [**REDACTED**] Share Option Scheme and other share option schemes of our Company (including those outstanding, cancelled, lapsed in accordance with its terms or exercised options), will not be counted for the purpose of calculating the limit as refreshed. A circular must be sent to the Shareholders in connection with the meeting at which their approval will be sought.

(iv) Our Company may also seek separate approval of the Shareholders in general meeting for granting options beyond the 2023 Scheme Mandate Limit provided that the options exceeding the 2023 Scheme Mandate Limit are granted only to eligible participants specifically identified by our Board before such approval is sought. A circular shall be sent to the Shareholders containing a generic description of the specified eligible participants who may be granted such options, the number and terms of the options to be granted and the purpose of granting options to the specified eligible participants with an explanation as to how the terms of the options serve such purpose.

(h) Offer and grant of options

An offer of the grant of an option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate of the offer document constituting acceptance of the offer duly signed by the grantee with the number of our Shares in respect of which the offer is accepted clearly stated therein, together with a payment in favor of our Company of HK$1.00 by way of consideration for the grant thereof is received by our Company on or before the relevant acceptance date, which being a date not later than 30 days after the relevant offer date. Such payment shall in no circumstances be refundable and shall be deemed as part payment of the exercise price.

(i) Exercise price

The exercise price of options payable by any grantee shall, subject to the adjustment referred to in paragraph (m) below, be in such amount as determined by our Board at its absolute discretion to be fair and reasonable on a case by case basis, after taking into account, among other things, the business performance of our Company, individual performance of the relevant grantee as well as the net asset value of our Company as shown in its latest available management accounts.

(j) Ranking of Shares

Our Shares to be allotted upon the exercise of an option shall be subject to all the provisions of the memorandum and articles of association of our Company and shall rank *pari passu* in all respects with and shall have the same voting, dividend, transfer and other rights, including those arising on liquidation of our Company as attached to the fully-paid our Shares in issue on the date of issue and rights in respect of any dividend or other distributions paid or made on or after the date of issue.

(k) Sufficient share capital

Subject to the terms of the 2023 [**REDACTED**] Share Option Scheme, our Board shall at all times set aside for the purpose of the 2023 [**REDACTED**] Share Option Scheme, out of the authorized but unissued share capital of our Company, such number of our Shares as our Board may from time to time determine to be sufficient to meet subsisting requirements for the exercise of outstanding options.

(l) Lapse of options

Save as determined otherwise by our Board at its sole discretion, an option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

(i) the expiry date relevant to that option;

(ii) the expiry of any of the periods referred to in paragraph (q)(i), (ii), (iii), (iv) or (v);

(iii) the date on which the scheme of arrangement of our Company referred to in paragraph (q)(iv) becomes effective;

(iv) the date of the commencement of the winding-up of our Company;

(v) the date on which the grantee ceases to be an eligible participant by reason of the termination of his relationship with our Company or any of its subsidiaries on any one or more of the grounds that he has been guilty of serious misconduct or has been convicted of any criminal offence involving his integrity or honesty or in relation to an employee of our Company or any of its subsidiaries (if so determined by our Board) on any other ground on which an employer would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Company or its relevant subsidiary. A resolution of our Board, or the relevant subsidiary of our Company, to the effect that the relationship of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive; and

(vi) the date on which our Board shall exercise its right to cancel the option at any time after the grantee commits a breach of paragraph (p) or the options are cancelled in accordance with paragraph (n).

(m) Effect of alterations to share capital

In the event of any capitalization issue, rights issue, sub-division or consolidation of shares or reduction of capital of our Company, such corresponding alterations (if any) shall be made (except on an issue of securities of our Company as consideration in a transaction which shall not be regarded as a circumstance requiring alteration or adjustment) in:

(i) the number of our Shares subject to any outstanding option; and/or

(ii) the exercise price of options,

as the Board may as its sole discretion consider to be appropriate, fair and reasonable, provided that any such alterations shall be made on the basis that a grantee shall have the same proportion of the equity capital of our Company as that to which that grantee was entitled to subscribe had he exercised all the options held by him immediately before such adjustments and the aggregate exercise price of options payable by a grantee on the full exercise of any option shall remain as nearly as possible the same as (but shall not be greater than) it was before such event and that no such alterations shall be made if the effect of such alterations would be to enable an our Share to be issued at less than its nominal value.

(n) Cancellation of options

Any cancellation of options granted but not exercised must be approved by the grantees of the relevant options in writing. For the avoidance of doubt, such approval is not required in the event any option is cancelled pursuant to paragraph (p).

(o) Termination

Our Board may at any time resolve to terminate the operation of the 2023 [**REDACTED**] Share Option Scheme and in such event no further options shall be offered but the provisions of the 2023 [**REDACTED**] Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior to the termination or otherwise as may be required in accordance with the provisions of the 2023 [**REDACTED**] Share Option Scheme and options granted prior to such termination shall continue to be valid and exercisable in accordance with the 2023 [**REDACTED**] Share Option Scheme. Notwithstanding the aforesaid, the 2023 [**REDACTED**] Share Option Scheme shall be terminated upon [**REDACTED**] of our Company on the Stock Exchange.

(p) Options are personal

An option shall be personal to the grantee and, save as determined by the Board in its sole discretion, shall not be transferable or assignable(other than transfers to a vehicle (such as a trust or a private company) for the benefit of the Grantee and any family members of such Grantee (e.g. for estate planning or tax planning purposes)), and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favor of any third party over or in relation to any option held by him or any offer relating to the grant of an option made to him or attempt to do so (save that the grantee may nominate a nominee in whose name our Shares issued pursuant to the 2023 [**REDACTED**] Share Option Scheme may be registered). Any breach of the foregoing shall entitle our Company to cancel any outstanding share option or any part thereof granted to such grantee.

(q) Exercise of options

Subject as hereinafter provided, an option may be exercised by the grantee at any time or times during the share option period, provided that:

(i) in the event of the grantee ceasing to be an eligible participant for any reason other than on his death, ill-health, injury, disability or the termination of his relationship with our Company or any of its subsidiaries on one or more of the grounds specified in paragraph (l)(e), the grantee may exercise any option up to his entitlement at the date of cessation of being an eligible participant (to the extent not already exercised)within the period of one month (or such longer period as our Board may determine) following the date of such cessation (which date shall be,

in relation to a grantee who is an eligible participant by reason of his employment with our Company or any of its subsidiaries, the last actual working day with our Company or its subsidiary whether salary is paid in lieu of notice or not);

(ii) in the case of the grantee ceasing to be an eligible participant by reason of death, ill-health, injury or disability (all evidenced to the satisfaction of our Board)and none of the events which would be a ground for termination of his relationship with our Company or any of its subsidiaries under paragraph (l)(e) has occurred, the grantee or the personal representative(s) of the grantee shall be entitled within a period of 12 months (or such longer period as our Board may determine) from the date of cessation of being an eligible participant or death to exercise the option in full (to the extent not already exercised);

(iii) if a general offer (whether by way of take-over offer, share repurchase offer or scheme of arrangement or otherwise in like manner) is made to all the holders of our Shares (or all such holders other than the offer or and/or any person controlled by the offeror and/or any person acting in association or in concert with the offeror), our Company shall use its best endeavors to procure that such offer is extended to all the grantees (on the same terms mutatis mutandis, and assuming that they shall become, by the exercise in full of the options granted to them, shareholders of our Company). If such offer, having been approved in accordance with applicable laws and regulatory requirements becomes, or is declared unconditional, the grantee (or his legal personal representative(s)) shall be entitled to exercise his option in full (to the extent not already exercised) at any time within 14 days after the date on which such general offer becomes or is declared unconditional;

(iv) if a compromise or arrangement between our Company and its members and/or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies, our Company shall give notice thereof to all the grantees (together with a notice of the existence of the provisions of this paragraph) on the same day as it despatches to members and/or creditors of our Company a notice summoning the meeting to consider such a compromise or arrangement, and thereupon each grantee shall be entitled to exercise all or any of his options in whole or in part at any time prior to 12:00 noon (Hong Kong time) on the Business Day immediately preceding the date of the meeting directed to be convened by the relevant court for the purposes of considering such compromise or arrangement and if there are more than one meeting for such purpose, the date of the first meeting. With effect from the date of such meeting, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapsed and determined. Our Board shall endeavor to procure that our Shares issued as a result of the exercise of options in such circumstances shall for the purposes of such compromise or arrangement form part of the issued share capital of our Company on the effective date thereof and that such our Shares shall in all respects be subject to such compromise or arrangement. If for any reason such compromise or arrangement is not approved by the relevant court (whether upon the terms presented to the relevant court or upon any other terms as may be approved by such court) the rights of the grantees to exercise their respective options shall with effect from the date of the making of the order by the relevant court be restored in full as if such compromise or arrangement had not been proposed by our Company and no claim shall lie against our Company or any of its officers for any loss or damage sustained by any grantee as a result of the aforesaid suspension; and

(v) in the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it despatches such notice to each member of our Company give notice thereof to all grantees and thereupon, each grantee (or in the case of the death of the grantee, his personal representative(s)) shall be entitled to exercise all or any of his options at any time not later than three Business Days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a payment for the full amount of the aggregate exercise price for our Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot the relevant our Shares to the grantee credited as fully paid.

Subject to the other terms of the 2023 [**REDACTED**] Share Option Scheme, save as determined otherwise by our Board at its sole discretion, an option (to the extent that it is exercisable pursuant to the above) may be exercised by a grantee at any time during the option period in four tranches as follows: (i) twenty percent (20%) of the options shall be vested on the date falling on the second (2nd) anniversary of the offer date; (ii) twenty percent (20%) of the options shall be vested on the date falling on the third (3rd) anniversary of the offer date; (iii) twenty percent (20%) of the options shall be vested on the date falling on the fourth (4th) anniversary of the offer date; and (iv) forty percent (40%) of the options shall be vested on the date falling on the fifth (5th) anniversary of the offer date. For the avoidance of doubt, any proportion of any option that has been vested shall be exercisable by the grantee from the relevant vesting date until the expiry of the option period.

(r) Alteration of the 2023* [REDACTED] *Share Option Scheme

The terms and conditions of the 2023 [**REDACTED**] Share Option Scheme and the regulations for the administration and operation of the 2023 [**REDACTED**] Share Option Scheme (provided that the same are not inconsistent with the 2023 [**REDACTED**] Share Option Scheme) may be altered in any respect by resolution of our Board except that (a) any material alteration to the terms and conditions of the 2023 [**REDACTED**] Share Option Scheme (including the principal terms of the 2023 [**REDACTED**] Share Option Scheme set out above) or any change to the terms of options granted(except any alterations which take effect automatically under the terms of the 2023 [**REDACTED**] Share Option Scheme); or (b) any change to the authority of our Board in relation to any alteration to the terms of the 2023 [**REDACTED**] Share Option Scheme, may only be made with the approval of the Shareholders of our Company provided that no alteration shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alteration or to reduce the proportion of the equity capital to which any person was entitled pursuant to such option prior to such alteration except with (i) the consent in writing of the grantees holding in aggregate options which if exercised in full on the date immediately preceding that on which such consent is obtained would entitle them to the issue of three-fourths in nominal value of all our Shares which would fall to be issued upon the exercise of all options outstanding on that date; or (ii) the sanction of a special resolution.

3. Outstanding Options

As at August 24, 2023, the outstanding options to subscribe for an aggregate of [**REDACTED**] Shares representing approximately [**REDACTED**]% of the enlarged issued share capital of our Company immediately upon completion of the [**REDACTED**] (assuming that all options granted under the [**REDACTED**] Share Option Schemes are exercised, but without taking into account any Shares which may be allotted and issued upon the exercise of the [**REDACTED**]) have been conditionally granted by our Company under the [**REDACTED**] Share Option Schemes.

As of August 24, 2023, the maximum aggregate number of options which may be issued under the 2021 [**REDACTED**] Share Option Scheme shall not exceed [**REDACTED**] Shares and the remaining Shares that can be issued is [**REDACTED**] and the outstanding options to subscribe for an aggregate of [**REDACTED**] Shares are held by 188 grantees under the 2021 [**REDACTED**] Share Option Scheme. All the options under the 2021 [**REDACTED**] Share Option Scheme were granted on April 1, 2022, June 10, 2022, August 18, 2022 and January 6, 2023, respectively, and the exercise price of the options granted were RMB[**REDACTED**], RMB[**REDACTED**], RMB[**REDACTED**] and RMB[**REDACTED**] per Share, respectively.

As of August 24, 2023, the maximum aggregate number of options which may be issued under the 2023 [**REDACTED**] Share Option Scheme shall not exceed [**REDACTED**] Shares and the remaining Shares that can be issued is [**REDACTED**]. As of August 24, 2023, the outstanding options to subscribe for an aggregate of [**REDACTED**] Shares are held by 243 grantees under the 2023 [**REDACTED**] Share Option Scheme. All the options under the 2023 [**REDACTED**] Share Option Scheme were granted on July 6 and August 24, 2023, respectively, and the exercise price of the options granted were RMB[**REDACTED**] and RMB[**REDACTED**] per Share, respectively.

Assuming [**REDACTED**] Shares will be issued upon the full vesting and exercise of all outstanding options to be granted under the [**REDACTED**] Share Option Schemes, the shareholding of our Shareholders immediately following completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised) will be diluted by approximately [**REDACTED**]%. The dilution effect on our earnings per Share would be approximately [**REDACTED**]%.

Save for the options which have been granted before the [**REDACTED**], no further options will be granted under the [**REDACTED**] Share Option Schemes on or after the [**REDACTED**].

4. Summary of Grantees

Below is a list of grantees who are Directors, members of senior management and connected persons of our Company under the [**REDACTED**] Share Option Schemes:

Name	Position in our Group	Date of grant	Vesting period	Exercise price (per Share in RMB)	Number of Shares under options granted	Approximate percentage of the issued Shares immediately after completion of the [REDACTED]
Dr. Jincai Li	Executive Director and chief executive officer	June 10, 2022 and August 24, 2023	(i) 20% of which will be vested on the date falling on the second anniversary of the date of grant; (ii) 20% of which will be vested on the date falling on the third anniversary of the date of grant; (iii) 20% of which will be vested on the date falling on the fourth anniversary of the date of grant; and (iv) 40% of which will be vested on the date falling on the fifth anniversary of the date of grant.	[**REDACTED**] and [**REDACTED**]	[**REDACTED**]	[**REDACTED**]%
Mr. Jerry Jingwei Zhang . .	Executive Director and chief operating officer	July 6, 2023	(i) 20% of which will be vested on the date falling on the second anniversary of the date of grant; (ii) 20% of which will be vested on the date falling on the third anniversary of the date of grant; (iii) 20% of which will be vested on the date falling on the fourth anniversary of the date of grant; and (iv) 40% of which will be vested on the date falling on the fifth anniversary of the date of grant.	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]%

Name	Position in our Group	Date of grant	Vesting period	Exercise price (per Share in RMB)	Number of Shares under options granted	Approximate percentage of the issued Shares immediately after completion of the [REDACTED]
Mr. Xiaojie Xi	Executive Director and chief financial officer	July 6, 2023	(i) 20% of which will be vested on the date falling on the second anniversary of the date of grant; (ii) 20% of which will be vested on the date falling on the third anniversary of the date of grant; (iii) 20% of which will be vested on the date falling on the fourth anniversary of the date of grant; and (iv) 40% of which will be vested on the date falling on the fifth anniversary of the date of grant.	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]%
Dr. Marie Meiying Zhu . . .	Chief technology officer	July 6, 2023	(i) 20% of which will be vested on the date falling on the second anniversary of the date of grant; (ii) 20% of which will be vested on the date falling on the third anniversary of the date of grant; (iii) 20% of which will be vested on the date falling on the fourth anniversary of the date of grant; and (iv) 40% of which will be vested on the date falling on the fifth anniversary of the date of grant.	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]%

Name	Position in our Group	Date of grant	Vesting period	Exercise price (per Share in RMB)	Number of Shares under options granted	Approximate percentage of the issued Shares immediately after completion of the [REDACTED]
Dr. Jianjun Luo . . .	Vice president	April 1, 2022 and August 24, 2023	(i) 20% of which will be vested on the date falling on the second anniversary of the date of grant; (ii) 20% of which will be vested on the date falling on the third anniversary of the date of grant; (iii) 20% of which will be vested on the date falling on the fourth anniversary of the date of grant; and (iv) 40% of which will be vested on the date falling on the fifth anniversary of the date of grant.	[**REDACTED**] and [**REDACTED**]	[**REDACTED**]	[**REDACTED**]%

Below is a list of grantees (other than the Directors and connected persons of our Company) who have been granted options to subscribe under the [**REDACTED**] Share Option Schemes:

Category by number of underlying Shares	Number of grantees	Date of grant	Vesting period	Exercise price (per Share in RMB)	Number of Shares under options granted	Approximate percentage of the issued Shares immediately after completion of the [REDACTED]
2,000,001 – 3,000,000 . .	2	From April 1, 2022 to August 24, 2023	(i) 20% of which will be vested on the date falling on the second anniversary of the date of grant; (ii) 20% of which will be vested on the date falling on the third anniversary of the date of grant; (iii) 20% of which will be vested on the date falling on the fourth anniversary of the date of grant; and (iv) 40% of which will be vested on the date falling on the fifth anniversary of the date of grant;	[**REDACTED**] to [**REDACTED**]	[**REDACTED**]	[**REDACTED**]%
1,000,001 – 2,000,000 . .	8	From April 1, 2022 to August 24, 2023	(i) 20% of which will be vested on the date falling on the second anniversary of the date of grant; (ii) 20% of which will be vested on the date falling on the third anniversary of the date of grant; (iii) 20% of which will be vested on the date falling on the fourth anniversary of the date of grant; and (iv) 40% of which will be vested on the date falling on the fifth anniversary of the date of grant;	[**REDACTED**] to [**REDACTED**]	[**REDACTED**]	[**REDACTED**]%

Category by number of underlying Shares	Number of grantees	Date of grant	Vesting period	Exercise price (per Share in RMB)	Number of Shares under options granted	Approximate percentage of the issued Shares immediately after completion of the [REDACTED]
500,001 – 1,000,000 . .	19	From April 1, 2022 to August 24, 2023	(i) 20% of which will be vested on the date falling on the second anniversary of the date of grant; (ii) 20% of which will be vested on the date falling on the third anniversary of the date of grant; (iii) 20% of which will be vested on the date falling on the fourth anniversary of the date of grant; and (iv) 40% of which will be vested on the date falling on the fifth anniversary of the date of grant.	[**REDACTED**] to [**REDACTED**]	[**REDACTED**]	[**REDACTED**]%
1-500,000. . . .	244	From April 1, 2022 to August 24, 2023	(i) 20% of which will be vested on the date falling on the second anniversary of the date of grant; (ii) 20% of which will be vested on the date falling on the third anniversary of the date of grant; (iii) 20% of which will be vested on the date falling on the fourth anniversary of the date of grant; and (iv) 40% of which will be vested on the date falling on the fifth anniversary of the date of grant	[**REDACTED**] to [**REDACTED**]	[**REDACTED**]	[**REDACTED**]%
Total	**273**				[**REDACTED**]	

Save and except as set out above, no other options have been granted or agreed to be granted by our Company under the [**REDACTED**] Share Option Schemes. Our Company will not grant any further options under the [**REDACTED**] Share Option Schemes on or after the [**REDACTED**].

The [**REDACTED**] Share Option Schemes are not subject to the provisions of Chapter 17 of the Listing Rules as it will not involve any grant of options by us after the [**REDACTED**]. Application has been made to the Listing Committee for the [**REDACTED**] of and permission to deal in the Shares to be issued pursuant to the [**REDACTED**] Share Option Schemes.

F. OTHER INFORMATION

1. Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

2. Litigation

During the Track Record Period and as of the Latest Practicable Date, we were not engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to our Directors to be pending or threatened by or against us, that would have a material adverse effect on our results of operations or financial conditions.

3. [**REDACTED**]

The [**REDACTED**] have made an application on our behalf to the Listing Committee of the Stock Exchange for the [**REDACTED**] of, and permission to deal in, the Shares in issue, the Shares to be issued pursuant to the [**REDACTED**] (including any Shares which may fall to be issued pursuant to the exercise of the [**REDACTED**] and any Shares to be allotted and issued pursuant to the [**REDACTED**] Share Option Schemes).

The [**REDACTED**] satisfy the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

The fees payable to each of the [**REDACTED**] in respect of their services as [**REDACTED**] for the [**REDACTED**] are approximately US$500,000 and are payable by us.

4. Preliminary Expenses

We have not incurred any material preliminary expenses in relation to the incorporation of our Company.

5. Promoter

We do not have any promoter. Within the two years immediately preceding the date of this document, no cash, securities or other benefits have been paid, allotted or given nor are any proposed cash, securities or other benefits to be paid, allotted or given to any promoters.

6. Agency fees or commission received

Save as disclosed in this document, no commissions, discounts, brokerages or other special terms were granted within the two years preceding the date of this document in connection with the issue or sale of any capital of any member of our Group.

7. Qualifications of Experts

The following are the qualifications of the experts who have given opinion or advice contained in this document:

Name	Qualification
Morgan Stanley Asia Limited	Licensed to conduct type 1 (dealing in securities), type 4 (advising on securities), type 5 (advising on futures contracts), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO
Goldman Sachs (Asia) L.L.C.	A licensed corporation to conduct type 1 (dealing in securities), type 4 (advising on securities), type 5 (advising on futures contracts), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO
J.P. Morgan Securities (Far East) Limited	Licensed to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Fangda Partners	Qualified PRC Lawyers
Maples and Calder (Hong Kong) LLP	Legal advisor as to Cayman Islands law
Deloitte Touche Tohmatsu	Certified Public Accountants (Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance)
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry consultant

As of the Latest Practicable Date, none of the experts named above has any shareholding interest in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

8. Consents of Experts

Each of the persons named in "Qualifications of Experts" has given and has not withdrawn its written consent to the issue of this document with the inclusion of its report and/or letter and/or legal opinion (as the case may be) and references to its name included in the form and context in which it respectively appears.

9. Binding Effect

This document shall have the effect, if an application is made in pursuance of this document, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar as applicable.

10. Bilingual Document

The English and Chinese language versions of this document are being published separately, in reliance upon the exemption provided under section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

11. No Material Adverse Change

Our Directors confirm that, up to the date of this document, there has been no material adverse change in the financial or trading position or prospect of our Group since June 30, 2023 (being the date to which the latest audited consolidated financial statements of our Group were prepared).

G. MISCELLANEOUS

(a) Save as disclosed in this document, within the two years immediately preceding the date of this document:

(i) no share or loan capital of our Company or any of its subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;

(ii) no share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iii) neither our Company nor any of its subsidiaries have issued or agreed to issue any founder shares, management shares or deferred shares;

(iv) no commissions, discounts, brokerage or other special terms have been granted in connection with the issue or sale of any shares or loan capital of any member of our Group; and

(v) no commission has been paid or payable (except commissions to the [**REDACTED**]) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any Shares in our Company;

(b) our Company has no outstanding convertible debt securities or debentures;

(c) no company within our Group is presently listed on any stock exchange or traded on any trading system;

(d) there is no arrangement under which future dividends are waived or agreed to be waived;

(e) the principal register of members of our Company will be maintained in the Cayman Islands by [**REDACTED**] and a branch register of members of our Company will be maintained in Hong Kong by [**REDACTED**]. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Company's [**REDACTED**] and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable the Shares to be admitted into [**REDACTED**] for clearing and settlement;

(f) save as otherwise disclosed in the document, there are no contracts or arrangements subsisting at the date of this document in which a Director is materially interested or which is significant in relation to the business of our Group.

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this document and delivered to the Registrar of Companies in Hong Kong for registration were:

(a) a copy of the [**REDACTED**];

(b) a copy of each of the material contracts referred to the section headed "Statutory and General Information — C. Further Information About Our Business — 1. Summary of Material Contracts" in Appendix IV to this document; and

(c) the written consents referred to in the section headed "Statutory and General Information — F. Other Information — 8. Consents of Experts" in Appendix IV to this document.

2. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the Stock Exchange's website at **www.hkexnews.hk** and our Company's website at **www.wuxixdc.com** during a period of 14 days from the date of this document:

(a) the Memorandum and Articles of Association of our Company;

(b) the Accountant's Report from Deloitte Touche Tohmatsu, the texts of which is set out in Appendix I to this document, including the audited financial information of STA Pharmaceutical in terms of Payload-Linker Business for the period from January 1, 2020 to the date of acquisition of STA Pharmaceutical;

(c) the report from Deloitte Touche Tohmatsu in respect of the unaudited [**REDACTED**] financial information of our Group, the texts of which is set out in Appendix II to this document;

(d) the PRC legal opinions issued by Fangda Partners, our PRC Legal Advisor, in respect of certain general corporate matters in the PRC of our Company;

(e) the industry report prepared by Frost & Sullivan referred to in the section headed "Industry Overview" in this document;

(f) the letter of advice prepared by Maples and Calder (Hong Kong) LLP, our legal advisors on Cayman Islands law, summarizing the constitution of our Company and certain aspects of the Cayman Islands company law referred to in Appendix III to this document;

(g) the Cayman Companies Act;

(h) the written consents referred to in the section headed "Statutory and General Information — F. Other Information — 8. Consents of Experts" in Appendix IV to this document;

(i) the material contracts referred to the section headed "Statutory and General Information — C. Further Information About Our Business — 1. Summary of Material Contracts" in Appendix IV to this document;

(j) the service contracts or letters of appointment referred to in the section headed "Statutory and General Information — D. Further Information of Our Directors and Substantial Shareholders — 1. Directors' Service Contracts and Appointment Letters" in Appendix IV to this document;

(k) the terms of the 2021 [**REDACTED**] Share Option Scheme; and

(l) the terms of the 2023 [**REDACTED**] Share Option Scheme.

3. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of a list of grantees under each of the 2021 [**REDACTED**] Share Option Scheme and the 2023 [**REDACTED**] Share Option Scheme, containing all details as required under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance, will be available for inspection at the offices of Fangda Partners at 26/F, One Exchange Square, 8 Connaught Road, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this document.