VIVA

维亚生物科技控股集团
VIVA BIOTECH HOLDINGS

(Incorporated in the Cayman Islands as an exempted company with limited liability)

(Stock code: 1873 and debt stock code: 40514)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2022

FINANCIAL HIGHLIGHTS

	2022	2021	**Change**
	RMB million	*RMB million*	
Revenue	**2,379.6**	2,104.1	13.1%
Gross Profit	**815.7**	651.0	25.3%
Gross Profit Margin	**34.3%**	30.9%	
Net (Loss)/Profit	**(504.2)**	300.6	
Adjusted Non-IFRS Net (Loss)/Profit	**(133.9)**	321.1	
	RMB	*RMB*	
(Loss)/Earnings per share			
– Basic	**(0.28)**	0.15	
–Diluted	**(0.28)**	0.08	

NON-IFRS MEASURE

To supplement the Group's audited condensed consolidated financial statements which are presented in accordance with the IFRS, the Company has provided adjusted Non-IFRS net (loss)/profit as additional financial measures, which are not required by, or presented in accordance with, the IFRS.

The Company believes that the adjusted Non-IFRS financial measures are useful for understanding and assessing underlying business performance and operating trends, and that the Company's management and investors may benefit from referring to these adjusted financial measures in assessing the Group's financial performance by eliminating the impact of certain unusual, non-recurring, non-cash and/or non-operating items that the Group does not consider indicative of the performance of the Group's business. However, the presentation of these non-IFRS financial measures is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with the IFRS. You should not view the adjusted results on a stand-alone basis or as a substitute for results under the IFRS.

Additional information is provided below to reconcile adjusted Non-IFRS net (loss)/profit.

Adjusted Non-IFRS net (loss)/profit

	2022	2021
	RMB'000	*RMB'000*
Net (Loss)/Profit	**(504,220)**	300,560
Add: fair value gain on embedded derivative instruments of the Convertible Bonds	**(10,050)**	(143,590)
Add: interest expenses of the debt components of the Convertible Bonds	**140,232**	136,104
Add: loss on repurchase of the Convertible Bonds	**45,421**	–
Add: loss on disposal of non-recurring fixed assets	**–**	5,135
Add: amortization of acquired assets from acquisition	**48,367**	48,181
Add: fair value loss on contingent consideration	**–**	6,115
Add: foreign exchange loss/(gain)	**146,391**	(31,414)
Adjusted Non-IFRS Net (Loss)/Profit *(Note i)*	**(133,859)**	321,091

Note:

i. In order to better reflect the key performance of the Group's current business and operations, the adjusted Non-IFRS net (loss)/profit is calculated on the basis of net (loss)/profit, excluding:

   a) Fair value gain on embedded derivative instruments of the Convertible Bonds, and amortization of acquired assets, which the management believes are non-cash items;

   b) Interest expenses of the debt instruments of the Convertible Bonds, loss on repurchase of the Convertible Bonds, loss on disposal of non-recurring fixed assets, fair value loss on contingent consideration and foreign exchange loss/(gain), which the management believes are non-recurring items or have no direct correlation to the operation of our business.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During 2022, the resurgence of COVID-19 continued to affect and pose challenges to industries to varying degrees. At the same time, the global biopharmaceutical investment and financing has experienced a wave of impact, but original biopharmaceutical development still maintained a robust growth across the world. As R&D and production outsourcing were growing in proportion, the CXO industry was still booming. With a focus on innovation and deep integration of resources, the Group's CRO and CDMO business based on the research and development of innovative drugs continued to provide clients with one-stop integrated services from early-stage structure-based drug research and development to commercial drug delivery.

During the Reporting Period, the cumulative number of clients served by the Group increased to 2,076; the Group's revenue during the Reporting Period increased by approximately 13.1% from RMB2,104.1 million for the corresponding period of last year to RMB2,379.6 million; and our gross profit increased by approximately 25.3% from RMB651.0 million for the corresponding period of last year to RMB815.7 million. The Group's adjusted non-IFRS net profit decreased from RMB321.1 million for the corresponding period of last year to an adjusted non-IFRS net loss of RMB133.9 million. This was mainly due to the losses from fair value changes in the Group's portfolio companies due to market fluctuation, a decline in personnel utilization rate given the resurgence of COVID-19 in mainland China; and to an extent the cultivation of early-stage new businesses has impacted our profit.

CRO Business to Ride on its Significant Competitive Edges for Attractive Outlook in the Long Run

In 2022, the Company's revenue from CRO business increased by approximately 20.9% from RMB740.5 million for the corresponding period of last year to RMB895.1 million. The slower revenue growth in 2022 compared to 2021 was mainly attributable to the downtime losses due to the repeated COVID-19 outbreaks in mainland China in the first half of the year, a strategic adjustment in the EFS business and the impact from a global biopharmaceutical investment and financing slowdown. Despite the challenging external conditions, the Company still maintained a resilient growth trend on the whole.

From the long-term perspective, the Company's order backlog amounted to approximately RMB1,050.0 million, representing an increase of approximately 8.8% from RMB965.0 million for the corresponding period of last year. Although the growth of our order backlog was affected to some extent by the global biopharmaceutical investment and financing slowdown and a strategic adjustment in the EFS business, the Company expects to grow the number of orders by strengthening its efforts in securing new customers globally in future. Looking ahead, as the impact of the pandemic gradually subsides, the Company will also strengthen its business development team building, proactively implement the integration strategy for biological and chemical segments, and establish active presence in emerging technology platforms to fuel sustainable growth of its CRO business.

As at December 31, 2022, the Company had delivered more than 48,925 protein structures to our clients, approximately 14,534 of which were newly delivered in 2022, and conducted R&D on over 1,878 independent drug targets, 68 of which were newly delivered in 2022. Currently, the Company maintains a leading position in the industry worldwide in the field of protein structure analysis. In addition, the Company will sharpen market competitiveness of its chemical business in future, seeking to maximize the value of existing customers through the synergistic development of biological and chemical segments while securing large orders from pharmaceutical giants to further increase market share of its chemical business. The cumulative number of clients served had increased to 1,224, including the global top 10 pharmaceutical companies (by reported total revenue for 2022), and revenue from the top ten customers accounted for 24.6% of our total revenue. Clients of our CRO business are geographically diverse, of whom those from overseas contributed approximately 85.4% of our total revenue, representing a year-on-year increase of approximately 23.2%, and those from mainland China contributed approximately 14.6% of our total revenue, representing a year-on-year increase of approximately 9.0%.

During the Reporting Period, our utilization of synchrotron radiation source reached 2,064 hours. The Company established long-term cooperation with 12 synchrotron radiation source centers around the world, which are distributed in nine countries/regions, i.e., Shanghai, China, the United States, Canada, Japan, Australia, the United Kingdom, France, Germany and Taiwan, China, thus guaranteeing uninterrupted data collection all year round.

Improving CDMO Capacity Building and Ramping up CMC Revenue

During the Reporting Period, the Group laid great emphasis on strategic cooperation and synergy with Langhua Pharmaceutical. While intensifying the construction of CMC R&D centers and continuing to deploy and start new production capacity, we strengthened client outreach and business development activities.

During the Year, Langhua Pharmaceutical's revenue amounted to RMB1,484.6 million, representing a year-on-year increase of approximately 8.9%; and its gross profit amounted to RMB418.3 million, representing a year-on-year increase of approximately 35.5%. This was mainly attributable to a significantly higher growth of gross profit than that of revenue, driven by volume expansion of core business pipelines, production capacity recovery of plants and normalized production and delivery of key CDMO customers, as well as the positive factors in product structure optimization.

As at December 31, 2022, Langhua Pharmaceutical had served a total of 852 clients, with the top ten clients accounting for 56.0% of its total revenue, suggesting constant improvement in customer revenue structure. The retention rate of their top ten clients was 100%. During the Reporting Period, in respect of capacity building, T10 plant started normal operation and is able to support revenue growth of our API business. At present, our total available capacity reached 860 cubic meters. In addition, Langhua Pharmaceutical plans to build a new production capacity of 400 cubic meters in 2024, and has started the relevant ground construction work. These capacity additions will provide adequate support to our future revenue growth.

In respect of CMC, we ramped up the construction of R&D centers and continued to increase R&D personnel. A CMC R&D center of approximately 10,000 square meters has been fully put into use. The center is located in the Group's headquarters in Zhoupu, Shanghai, and contains a 3,000-square-meter GMP pilot plant for formulation development. Almost 123 new drug projects have been completed or are in progress since the establishment of CMC. As at the end of the Reporting Period, the number of CMC R&D personnel had reached 155; and the CMC business had generated revenue of nearly RMB50.0 million although it is still in a loss-making early stage. In the future, with the gradual increase in revenue, we expect the CMC business will eventually achieve break-even.

EFS Investment & Incubation Business to Mitigate Pressure on Group-level Liquidity through Establishment of Investment Funds in Future

During the Reporting Period, the Company reviewed a total of over 455 projects globally, added 4 start-ups to our portfolio companies, made new investments in two funds and made additional investments in 9 existing portfolio companies. As at December 31, 2022, the Group had invested in a total of 91 portfolio companies. The portfolio companies are mainly from the United States, Canada, Europe and China. 68% of the portfolio companies are from North America and 25% are from China. The details of the portfolio companies added during the Reporting Period are as follows:

Details of portfolio companies newly introduced in 2022:

No.	Company Name	Region	Time of Investment	Type	Indications/Primary Technology/Business
1	GT Apeiron Therapeutics	BVI/PRC	2/2022	Strategic investment	Committed to the development of new small molecule medicines for tumor
2	Domain Therapeutics	France	3/2022	Strategic investment + EFS	Committed to the discovery and development of innovative candidate drugs targeting G protein-coupled receptor (GPCR)
3	Antag Therapeutics	Denmark	5/2022	Strategic investment	Committed to the development of new treatments for metabolic diseases
4	Lucy Therapeutics	USA	10/2022	EFS	Committed to the development of new small molecule medicines for nervous system diseases

In 2022, 10 of our portfolio companies completed or was close to completing a new round of financing, raising approximately US$158.0 million in total. The R&D efforts of the portfolio companies were advancing smoothly, with the total number of pipeline projects reaching close to 215, of which 179 pipelines are in the preclinical stage and 36 pipelines in the clinical stage. So far, the Group has successfully realized 9 investment exits or partial exits, and may have an additional 11 potential exits for our portfolio companies in the next one to three years. In addition, the Company is proactively applying for a fund manager license in the PRC, and intends to conduct incubation business through the establishment of investment funds in future, so as to mitigate pressure on Group-level liquidity and the appropriation of funds. None of these investments constituted a discloseable transaction under Chapter 14 of the Listing Rules.

TECHNOLOGICAL HIGHLIGHTS AND R&D BREAKTHROUGHS

During the Reporting Period, the Group's R&D spending was RMB135.8 million, representing a year-on-year increase of 47.0% from RMB92.4 million for the year ended December 31, 2021. For our CRO business, we have built several core technological platforms, including: the PROTAC technology platform, protein production, preparation and structure research platform, Cryo-EM technology platform, membrane protein research technology, drug screening technology, Bioassay platform, computer-aided drug design (CADD), pharmaceutical chemistry, etc.

From the perspective of current progress of our existing emerging technology platforms, Cryo-EM (Micro-ED) can readily analyze structures too big or too complicated to be analyzed by traditional methods such as X-ray crystallography (XRD) or Nuclear Magnetic Resonance (NMR), and it can analyze the structure of macromolecular and micromolecule compounds in their close-to-nature state instead of crystallization with near-atomic resolution, so as to quickly identify targets and shorten the time required for drug discovery.

Besides, the Company also provides services relevant to PROTAC drug R&D, and revenue generated in this regard accounted for almost 10.2% of total revenue from CRO business. Our services primarily include studies on protein preparation and structure, high-throughput screening of PROTAC molecules, kinetics, drug metabolism, pharmaceutical chemistry, Bioassay, CADD, etc. As at December 31, 2022, the Company had conducted research into over 50 E3 ligase structures and delivered more than 100 target protein – PROTAC-E3 ligase ternary compound structures. It is expected that PROTAC business will contribute to and serve as a highlight for the sustainable growth of CRO business in the future.

From the perspective of current progress of computer-aided drug design (CADD) platforms, the computational chemistry department of the Company, which integrates computer-aided drug design (CADD) and artificial intelligence in drug discovery (AIDD) based on physical chemistry models with the aid of supercomputing clusters, has been widely used in various drug R&D stages. Our Computational Chemistry Department has developed a series of advanced algorithms (such as FEP), which support more targeted optimization against actual problems compared to traditional computational chemistry tools and commercial software packages, thus facilitating the progress of drug R&D projects efficiently.

STAFF AND FACILITIES

As at December 31, 2022, the Group had a total of 2,601 employees, of whom the number of CRO R&D personnel reached 1,617. Remuneration of our employees is determined with reference to market conditions and individual employees' performance, qualification and experience. In line with the performance of the Group and individual employees, a competitive remuneration package is offered to retain employees, including salaries, discretionary bonuses, employee benefits, employee share option scheme and restricted share unit scheme. During the Reporting Period, the relationship between the Group and our employees had been stable, and we had not experienced any strikes or other labor disputes that materially affected our business activities. We provide training programs to employees, including new hire orientation and continuous on-the-job training, in order to accelerate the learning progress and improve the knowledge and skill levels of our employees. The Company has been accelerating the construction of office and laboratory facilities in line with its workforce expansion plans and expanding production capacity to meet the fast-growing business needs, including:

- The Group's new headquarters in Zhoupu, Shanghai with a total area of approximately 40,000 square meters completed its inauguration ceremony on November 10, 2022, and had been put into full operation as at the end of the Reporting Period.

- The incubation center located in Faladi Road, Shanghai covering 7,576 square meters has been put into full operation, including 5,552 square meters of laboratory area.

- The park with a total GFA of 64,564 square meters in Chengdu has been completed, of which 12,000 square meters of properties had been partially put into use as at the end of the Reporting Period, including 10,590 square meters of laboratory area.

- For the novel drug incubation center with a planned GFA of approximately 77,500 square meters in Qiantang New District, Hangzhou, we will consider several potential construction options in future.

- A park in Suzhou with a GFA of approximately 7,169 square meters, including nearly 3,250 square meters of laboratory area.

- Shanghai Supercomputing Center passed acceptance in December 2022, and has been officially put into operation. At present, it can support computer aided drug design (CADD) calculation, artificial intelligence in drug discovery (AIDD) related calculation, and crystal structure and Cryo-EM (Micro-ED) calculation.

FUTURE STRATEGIES AND OUTLOOK

With unique advantages in structure-based drug R&D (SBDD), the Company will increase the cross-sell between biological and chemical businesses, continue to strengthen the construction of a one-stop drug R&D and manufacturing service platform, deepen the synergy between CRO and CDMO business, improve the capacity building for front-end services and drive business to back-end services to further enhance the business funnel effect. The Company is in an effort to establish an open eco-system for global biopharma innovators.

IMPACT OF THE COVID-19 PANDEMIC

In the first half of 2022, the repeated COVID-19 outbreaks in Shanghai had a certain degree of impact on the delivery of our products and services. The Company launched the contingency plan in line with the government's anti-COVID-19 policies and imposed closed-end management measures on office premises in Zhoupu and Zhangjiang of Shanghai, so as to safeguard the safety of all the employees. During such period, approximately 487 of our R&D personnel voluntarily took accommodation in the Company, striving to ensure the smooth progress of the R&D projects, and the Company also provided them with various living facilitation. In addition, certain employees whose job nature permitted work-from-home arrangement worked online to ensure the normal and orderly operation of the Company's business.

In early December 2022, as domestic pandemic restrictions were basically lifted, the Company's R&D and office premises in Shanghai, Jiaxing and Chengdu in the PRC experienced a temporary pandemic outbreaks. For employees diagnosed with COVID-19, the Company provided five-days paid leave, work-from-home arrangement and other measures to ensure safety of all employees. In addition, the Company organized cross-region collaboration among laboratories for the project progress during the pandemic outbreaks, thereby ensuring the project delivery and realization of revenue streams.

DISCUSSION OF RESULTS OF OPERATION

Revenue

The Group's revenue in the Reporting Period was approximately RMB2,379.6 million, representing an increase of 13.1% as compared to approximately RMB2,104.1 million in the year ended December 31, 2021, The revenue growth is mainly due to (1) a steady increase in CRO business's customer order; and (2) Langhua Pharmaceutical's volume expansion of core business pipelines, production capacity recovery of plants and normalised production and delivery of key CDMO customers.

The following table sets forth a breakdown of the Group's revenue by respective types of goods or services during the Reporting Period and the corresponding period last year.

	Year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
Types of goods or services		
Drug discovery services		
– Full-time-equivalent	**706,395**	532,356
– Fee-for-service	**134,581**	122,319
– Service-for equity	**54,081**	85,799
CDMO and commercialization services		
– Fee-for-service	**28,492**	–
– Sale of products	**1,456,082**	1,363,609
	2,379,631	2,104,083

While the Group's operation are located in China, it has a global customer base with a majority of our customers located in the USA. An analysis of the Group's revenue from customers, analyzed by their respective country/region of operation is detailed below:

	Year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
USA	**915,818**	646,523
European Union	**508,471**	590,225
Mainland China	**382,377**	376,735
Other Asian countries and regions outside of Mainland China	**392,800**	330,083
Africa	**64,550**	74,182
Other countries/regions	**115,615**	86,335
	2,379,631	2,104,083

The increase of revenue in the Reporting Period as compared to the corresponding period last year was primarily due to an increase in the revenue of the Group's customers headquartered in the USA and other Asian countries and regions. This was mainly due to increases in the number of customers as well as customer orders from such overseas customers.

Cost of Sales

Cost of sales primarily consists of direct labor costs, cost of materials and overhead. Direct labor costs primarily consist of salaries, bonus, welfare, social security costs and share-based compensation, excluding the costs allocated to research and development expenses, as well as those capitalized in contract costs. Cost of sales in the Reporting Period was approximately RMB1,564.0 million, representing an increase of 7.6% as compared to approximately RMB1,453.1 million for the year ended December 31, 2021. The increase was in line with the Group's business growth.

Gross Profit and Gross Profit Margin

During the Reporting Period, the Group's gross profit was approximately RMB815.7 million, representing an increase of 25.3% as compared to approximately RMB651.0 million in the year ended December 31, 2021. The increase was in line with the Group's business growth. Gross margin was 34.3% for the Reporting Period, as compared to 30.9% for the year ended December 31, 2021. The increase was primarily driven by Langhua Pharmaceutical's production capacity recovery of plants, and positive factors both in foreign exchange rate movements as well as product structure optimization during the Reporting Period.

Other Income and Gains

Other income and gains consist primarily of interest income, government grants, revenue from sales of raw materials and gain on disposal of right-of-use assets. During the Reporting Period, the Group recorded other income and gains of approximately RMB67.6 million, representing an decrease of 45.2% as compared to approximately RMB123.4 million in the corresponding period last year. The decrease was due to the Group recorded a foreign exchange gain and gain on derivative financial instruments for the period ended December 31, 2021, whereas the Group recorded a foreign exchange loss and loss on derivative financial instruments which is reflected in other expenses for the Reporting Period.

Selling and Distribution Expenses

Selling and distribution expenses primarily consist of staff cost, travelling expenses and others. During the Reporting Period, the Group's selling and distribution expenses were approximately RMB130.8 million, representing an increase of 39.1% as compared to approximately RMB94.0 million for the year ended December 31, 2021. The increase was primarily due to expansion of our CDMO business, as well as the growth to our marketing team.

Administrative Expenses

Administrative expenses primarily consist of administrative staff costs, audit and consultancy fees, office administration expense, rental, depreciation, travelling and transportation expenses and others. During the Reporting Period, the Group's administrative expenses were approximately RMB273.6 million, representing an increase of 20.9% as compared to approximately RMB226.3 million for the year ended December 31, 2021. The increase primarily reflected rapid expansion of the Group's personnel.

Research and Development Expenses

Research and development expenses mainly consist of labor costs, cost of materials, overhead costs and fees paid to third parties that conduct certain research and development activities on our behalf. During the Reporting Period, the Group's research and development expenses were approximately RMB135.8 million, representing an increase of 47.0% as compared to approximately RMB92.4 million for the year ended December 31, 2021. The increase in research and development expenses is mainly due to the Group's increased investment in scientific research and development of internal platforms.

Fair Value Loss/Gain on Financial Assets at Fair Value through Profit or Loss ("FVTPL")

Fair value loss/gain on FVTPL mainly consists of fair value change from the financial products issue by banks and the equity interests in the Group's incubation portfolio companies. The Group's EFS model features sharing of the downside/upside of our customers' intellectual property values, which is primarily reflected by the fair value change of the equity interest in the Group's incubation portfolio companies. Such fair value losses/gains are recorded as FVTPL in the Group's financial statements. As at December 31, 2022, no individual equity interests in the Group's incubation portfolio companies accounted for more than 5% of the Group's total assets.

The Group recorded losses arising from financial assets at FVTPL of approximately RMB364.2 million for the Reporting Period, primarily reflecting the decrease in the fair value of the Group's equity interest in four incubation portfolio companies, Proviva Therapeutics, Inc., Mediar Therapeutics, Inc., Flash Therapeutics LLC., and Elgia Therapeutics, Inc., as compared to the gain from financial assets at FVTPL of approximately RMB45.7 million for the year ended December 31, 2021.

Impairment Losses under Expected Credit Model, Net of Reversal

Impairment losses under expected credit model, net of reversal reflects impairment loss on trade and other receivables. The Group recorded impairment losses of approximately RMB9.4 million for the Reporting Period, as compared to approximately RMB1.4 million of impairment losses for the year ended December 31, 2021.

Other Expenses

For the Reporting Period, the Group recorded other expenses of approximately RMB254.0 million, as compared to approximately RMB12.7 million for the year ended December 31, 2021. The increase primarily due to the increased foreign exchange losses, loss on derivative financial instruments and repurchase loss on convertible bonds.

Finance Costs

Finance costs primarily consist of interest on convertible bonds, interest on lease liabilities and interest expenses on loans from banks. For the Reporting Period, the Group's finance costs was approximately RMB184.7 million, representing an increase of 0.9%, as compared to approximately RMB183.1 million for the year ended December 31, 2021.

Fair Value Gain on Financial Liabilities at FVTPL

Fair value gain on financial liabilities at FVTPL primarily consists of changes in fair value of the embedded derivative instruments of the convertible bonds and changes in fair value of contingent consideration. For the Reporting Period, the Group recorded fair value gain on financial liabilities at FVTPL of approximately RMB10.1 million regarding the fair value changes of the embedded derivative instruments of the convertible bonds as compared to approximately RMB143.6 million of gain regarding the fair value changes of the embedded derivative instruments of the convertible bonds and a fair value loss on contingent consideration of approximately RMB6.1 million for the year ended December 31, 2021.

Income Tax Expense

The Group's income tax expense for the Reporting Period was approximately RMB45.1 million, representing a decrease of 4.2% from approximately RMB47.1 million for the year ended December 31, 2021.

Net Loss/Profit and Net Loss/Profit Margin

As a result of the foregoing, the Group's net loss for the Reporting Period was approximately RMB504.2 million, as compared to a net profit of approximately RMB300.6 million for the year ended December 31, 2021. Such turnaround was mainly due to (i) market fluctuation resulting in negative fair value changes in the Group's equity interest in incubation portfolio companies; (ii) fluctuation of foreign exchange rates during the Year resulting in foreign exchange losses; (iii) interest expenses of the debt components of convertible bonds issued by the Group and the loss on repurchase of convertible bonds; (iv) the resurgence of COVID-19 in mainland China limiting the labour utilization rate during the Year; and (v) certain new investment projects are still in their early loss-making stages.

The adjusted non-IFRS net loss of the Group was approximately RMB133.9 million for the Reporting Period as compared to a non-IFRS net profit of approximately RMB321.1 for the year ended December 31, 2021. The adjusted Non-IFRS net loss of the Group for the Reporting Period was primarily due to (i) market fluctuation resulting in negative fair value changes in the Group's equity interest in incubation portfolio companies; (ii) the resurgence of COVID-19 in mainland China limiting the labour utilization rate during the Year; and (iii) certain new investment projects are still in their early loss-making stages.

Liquidity, Financial Resources and Gearing Ratio

As at December 31, 2022, the Group's total cash and cash equivalents amounted to approximately RMB678.6 million, representing a decrease of 15.3% as compared to approximately RMB800.9 million as at December 31, 2021. Such decrease was primarily due to the payment for repurchase of convertible bonds of approximately RMB302.3 million and the purchase of property, plant and equipment of approximately RMB249.3 million during the Reporting Period.

As at December 31, 2022, current assets of the Group amounted to approximately RMB1,938.8 million, including a cash and cash equivalents of approximately RMB678.6 million. Current liabilities of the Group amounted to approximately RMB2,672.6 million, including bank borrowings of approximately RMB405.3 million and convertible bonds-debt component of approximately RMB1,508.6 million.

As at December 31, 2022, the gearing ratio, calculated as total liabilities over total assets, was approximately 54.5%, as compared with approximately 51.4% as at December 31, 2021. As at December 31, 2022, the Group had approximately RMB912.4 million of secured bank borrowings and RMB373.9 million of unsecured bank borrowings, representing an increase of approximately RMB234.5 million as compared to approximately RMB1,051.8 million as at December 31, 2021. The increase was mainly due to more bank facilities having been utilized to support the continuous business expansion, especially the construction activities. Of the Company's bank borrowings during the Reporting Period, approximately RMB405.3 million are repayable on demand or within one year, and approximately RMB881.0 million are repayable in the second to sixth year (inclusive). The Group intends to finance the expansion, investments and business operations with proceeds from its financing activities and internal resources.

Pledge of Assets

As at December 31, 2022, the buildings, the right-of-use assets, construction in progress and certain time deposits with a carrying amount of approximately RMB229.2 million, RMB303.1 million, RMB5.3 million and RMB697.3 million, respectively, were pledged to secure certain bank borrowings, letters of credit and notes payable of the Group.

Capital Expenditure

For the Reporting Period, the Group's capital expenditure amounted to approximately RMB349.8 million, which was mainly used for construction of facilities and equipment purchases, as compared to approximately RMB1,059.0 million for the year ended December 31, 2021. The Group funded its capital expenditure with cash flow generated from its operations and partial proceeds from its fundraising activities.

Future Plan for Material Investment and Capital Assets

Save as disclosed in the Prospectus, this announcement and other announcements and circulars published by the Company up to the date of this announcement, the Group does not have other plans for material investments and capital assets for Reporting Period and up to the date of this announcement.

Contingent Liability

The Group had no material contingent liabilities as at December 31, 2022.

Currency Risk

Certain entities in our Group have foreign currency sales and purchases, which exposes us to foreign currency risk. In addition, certain entities in our Group also have other payables and receivables which are denominated in currencies other than their respective functional currencies. We recorded a net foreign exchange loss of approximately RMB146.4 million and a net foreign exchange gain of approximately RMB31.4 million for the Reporting Period and the year ended December 31, 2021, respectively. We are exposed to the foreign currency of U.S. dollars as part of our revenue was generated from sales denominated in U.S. dollars as well as deposits denominated in U.S. dollars. We purchased various bank foreign exchange wealth management products and forward currency contracts to hedge against our exposure to currency risk during the Reporting Period and up to the date of this announcement while we chose not to designate a hedging relationship and use hedge accounting. Our management will continue to evaluate the Group's foreign exchange risk and take actions as appropriate to minimize the Group's exposure whenever necessary.

Goodwill

As at December 31, 2022, the Group recorded goodwill of approximately RMB2,156.4 million, there was no change as compared to approximately RMB2,156.4 million as at December 31, 2021.

The goodwill comprises the fair value of expected business synergies arising from the acquisitions, which is not separately recognized.

By acquiring Langhua Pharmaceutical and Synthesis HK, the Group established presence in the CDMO field, and remained committed to in-depth integration of front-end CRO business and back-end CDMO business. On one hand, the Group proactively diverted customer traffic to back-end business through incubating portfolio companies, and on the other hand, it leveraged its advantages accumulated in North America to attract customers to the back-end operations via business development, in an effort to promote the funnel-effect in business operations.

No impairment loss in relation to goodwill is recognized for the year ended December 31, 2022. The impairment assessment is based on a valuation by an independent professional valuer. Considering there was still sufficient headroom based on the assessment, the management of the Company believes that a reasonably possible change in the key parameters would not cause the carrying amount of the CGUs to exceed its recoverable amount as at December 31, 2022.

SHARE INCENTIVE SCHEMES

The Group has adopted certain Pre-IPO Share Incentive Schemes in 2009 and 2018 to provide incentives to eligible employees of the Group. During the Reporting Period, no share options were exercised by directors and employees of the Group. As at December 31, 2022, an aggregate of 2,677,591 outstanding share options were exercisable under the Pre-IPO Share Incentive Schemes. As at December 31, 2022, outstanding options granted under the Pre-IPO Share Incentive Schemes and shares issued pursuant to the exercise of pre-IPO share options were held by trustees of relevant trusts set up for administering the Group's employee incentive schemes.

The Group also adopted the Post-IPO Share Option Scheme on April 14, 2019. On June 24, 2022 (the "**Modification Date**"), the remaining 11,820,000 share options of the 2020 Options were cancelled and a total of 11,820,000 share options were granted to the same eligible participants of the Group (the "**2020 Options**"), and all of them were served as replacement share options for the cancelled 2020 Options. The fair value representing the Options granted to the eligible participants on the date of grant was approximately HK$10.05 million.

The Group further adopted the Restricted Share Unit Scheme on June 5, 2020. The Restricted Share Unit Scheme is a discretionary scheme of the Company not involving any issue of new Shares. The Company has appointed Tricor Trust (Hong Kong) Limited as trustee to assist with the administration and vesting of awards pursuant to the Restricted Share Unit Scheme. During the Reporting Period, no Shares had been awarded under the Restricted Share Unit Scheme.

EVENT AFTER REPORTING PERIOD

In February 2023, the Group completed the full redemption of its US$180 million 2.50% guaranteed convertible bonds due 2025 upon the bondholders' exercise of their option requiring the Group to redeem all the outstanding convertible bonds. The convertible bonds were withdrawn from listing on the Stock Exchange on March 7, 2023.

Save as disclosed above, as at the date of this announcement, the Group has no material subsequent events after December 31, 2022 which are required to be disclosed.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association, or the laws of Cayman Islands, which would oblige the Company to offer new shares of the Company on a pro-rata basis to its existing Shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the Reporting Period, the Company did not repurchase any Shares on the Stock Exchange. The Group repurchased US$25.4 million of the Convertible Bonds due February 2025 during the Reporting Period for an aggregate consideration of US$25.2 million, and US$30.0 million of the Convertible Bonds due December 2025 during the Reporting Period for an aggregate consideration of US$19.2 million and convertible bonds – debt component of approximately RMB1,508.6 million.

Details of the repurchased Convertible Bonds are as follows:

Month of repurchase/redemption	Principal amount repurchased	Aggregate Consideration(1)
January	US$6,000,000(2)	US$4,560,000
July	US$20,000,000(2)	US$12,300,000
August	US$4,000,000(2)	US$2,340,000
November	US$25,400,000(3)	US$25,222,200
Total	US$55,400,000	US$44,422,200

Note:

(1) Aggregate consideration inclusive of expenses.

(2) In relation to the Convertible Bonds due December 2025.

(3) In relation to the Convertible Bonds due February 2025.

Save as disclosed above, neither the Company nor any member of the Group purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

USE OF PROCEEDS FROM GLOBAL OFFERING

On May 9, 2019, the Shares of the Company were listed on the Main Board of the Stock Exchange. The net proceeds from the Global Offering were approximately RMB1,217.1 million after deducting underwriting commissions and other expenses paid and payable by us in the Global Offering. There was no change in the intended use of net proceeds as previously disclosed in the Prospectus. As at December 31, 2022, the details of intended application of net proceeds are set out as follow:

	Approximate % of total net proceeds	Planned use of actual net proceeds	Utilized net proceeds up to December 31, 2021[1]	Proceeds utilized for the year ended December 31, 2022	Utilized net proceeds up to December 31, 2022	Proceeds unused as at December 31, 2022[2]	Expected timeline for utilizing the remaining balance of net proceeds from the Global Offering[3]
		RMB'million	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*	
Expanding EFS model	30%	365.13	263.29	39.91	303.20	61.93	Expected to be fully utilized by December 31, 2023
Building up commercial & research manufacturing capabilities and capacities in CMO	30%	365.13	325.30	26.79	352.09	13.04	Expected to be fully utilized by December 31, 2023
Purchasing laboratory equipment and materials	10%	121.71	121.71	–	121.71	–	–
Hiring, training and retaining biologics & chemical drug R&D personnel	10%	121.71	121.71	–	121.71	–	–
Expanding CMO business	10%	121.71	121.71	–	121.71	–	–
General corporate and working capital	10%	121.71	121.71	–	121.71	–	–

Notes:

1. As disclosed in the Prospectus, the estimated net proceeds from the Global Offering, after deduction of the underwriting fees and expenses paid by the Company in connection therewith were approximately HK$1,231.7 million. The actual net proceeds received by the Company were approximately RMB1,217.1 million. The Company intends to adjust the difference between the estimated and actual net proceeds to each business objective in the same proportion as the original funds applied as shown in the Prospectus.

2. As at December 31, 2022, net proceeds not yet utilized were deposited with certain licensed banks in Hong Kong or the PRC.

3. The Company intends to use the remaining net proceeds in the coming years in accordance with the purpose set out in the Prospectus, the Company will continue to evaluate the Group's business objectives and will change or modify the plans against the changing market conditions to suit the business growth of the Group. We will issue an appropriate announcement if there is any material change to the above proposed use of proceeds.

USE OF PROCEEDS FROM CONVERTIBLE BONDS

On February 11, 2020, Viva Incubator HK issued the Convertible Bonds due in February 2025. The net proceeds, after deducting the transaction costs of US$2.6 million (equivalent to RMB18.3 million), were US$177.4 million (equivalent to RMB1,256.0 million), and had been utilized as follows as at December 31, 2022:

Business objective as stated in the offering circular	Percentage of total net proceeds	Planned use of actual net proceeds *RMB'million*	Utilized net proceeds up to December 31, 2021 *RMB'million*	Proceeds utilized for the year ended December 31, 2022 *RMB'million*	Utilized net proceeds up to December 31, 2022 *RMB'million*	Proceeds unused as at December 31, 2022 [1] *RMB'million*	Expected timeline for utilizing the remaining balance of net proceeds
Business development and expansion	70%	879.19	660.86	57.89	718.75	160.44	Expected to be fully utilized by December 31, 2023
Working capital and general corporate purposes	30%	376.80	370.88	5.92	–	–	–

On December 30, 2020, Viva Biotech BVI issued the Convertible Bonds due in December 2025. The net proceeds, after deducting the transaction cost of US$4.2 million (equivalent to RMB27.5 million), were US$275.8 million (equivalent to RMB1,801.6 million), and has been utilized as follows at December 31, 2022.

Business objective as stated in the offering circular	Percentage of total net proceeds	Planned use of actual net proceeds *RMB'million*	Utilized net proceeds up to December 31, 2021 *RMB'million*	Proceeds utilized for the year ended December 31, 2022 *RMB'million*	Utilized net proceeds up to December 31, 2022 *RMB'million*	Proceeds unused as at December 31, 2022 [1] *RMB'million*	Expected timeline for utilizing the remaining balance of net proceeds
Business development and expansion including refinancing of the the acquisition cost of 80% of equity interest in Langhua Pharmaceutical	90%	1,621.4	934.84	80.24	1,015.08	606.32	Expected to be fully utilized by December 31, 2023
Other working capital and general corporate purposes	10%	180.2	180.2	–	180.2	–	–

Notes:

1. As at December 31, 2022, net proceeds not yet utilized were deposited with certain licensed banks in Hong Kong or the PRC.

2. The Company intends to use the remaining net proceeds in the coming years in accordance with the purpose set out in the relevant offering circulars, the Company will continue to evaluate the Group's business objectives and will change or modify the plans against the changing market conditions to suit the business growth of the Group. We will issue an appropriate announcement if there is any material change to the above proposed use of proceeds.

FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended December 31, 2022 (2021: Nil). As disclosed in the interim results announcement dated August 29, 2022, no other dividend was proposed for the six months ended June 30, 2022.

ANNUAL GENERAL MEETING

The 2023 annual general meeting (the "**2023 AGM**") will be held on Friday, June 30, 2023. Notice of the 2023 AGM and all other relevant documents will be published and despatched to Shareholders of the Company in due course.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, June 27, 2023 to Friday, June 30, 2023, both days inclusive and during which period no share transfer will be effected, for the purpose of ascertaining Shareholders' entitlement to attend and vote at the 2023 AGM. In order to be eligible to attend and vote at the 2023 AGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 pm on Monday, June 26, 2023.

SUFFICIENCY OF PUBLIC FLOAT

According to the information that is publicly available to the Company and within the knowledge of the Board, as at the date of this announcement, the Company has maintained the public float as required under the Listing Rules.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of Shareholders and to enhance corporate value and accountability. The Board has adopted the principles and the code provisions of the CG Code contained in Appendix 14 to the Listing Rules to ensure that the Company's business activities and decision making processes are regulated in a proper and prudent manner.

Under the code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and performed by different individuals. Under the current organization structure of the Company, Mr. Mao is the chairman and chief executive officer of the Company. With his extensive experience in the industry, the Board believes that vesting the roles of both chairman and chief executive officer in the same person provides the Company with strong and consistent leadership, allow for effective and efficient planning and implementation of business decisions and strategies, and is beneficial to the business prospects and management of the Group. Although Mr. Mao performs both the roles of chairman and chief executive officer, the division of responsibilities between the chairman and chief executive officer is clearly established. In general, the chairman is responsible for supervising the functions and performance of the Board, while the chief executive officer is responsible for the management of the business of the Group. The two roles are performed by Mr. Mao distinctly. We also consider that the current structure does not impair the balance of power and authority between the Board and the management of the Company given the appropriate delegation of the power of the Board and the effective functions of the independent non-executive Directors. However, it is the long-term objective of the Company to have these two roles performed by separate individuals when suitable candidates are identified.

Save as disclosed above, during the Reporting Period the Company has complied with the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its code of conduct regarding dealings in the securities of the Company by the Directors and the Company's senior management who, because of his/her office or employment, is likely to possess inside information in relation to the Company's securities.

Upon specific enquiry, all Directors confirmed that they have complied with the Model Code during the Reporting Period. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management of the Company during the Reporting Period.

REVIEW OF FINANCIAL STATEMENTS

Audit Committee

The Audit Committee of the Company had reviewed together with the management and external auditor the accounting principles and policies adopted by the Company and the audited consolidated financial statements for the year ended December 31, 2022. The Audit Committee confirms that the applicable accounting principles, standards and requirements have been complied with, and that adequate disclosures have been made. The Audit Committee has also discussed the auditing, risk management, internal control and financial reporting matters.

The annual results for the year ended December 31, 2022 have been prepared in accordance with IFRSs.

Scope of Work of Ernst & Young

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended December 31, 2022 as set out in this announcement have been agreed by the Group's auditors, Ernst & Young, to the amounts set out in the Group's audited consolidated financial statements for the year.

The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on this announcement.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

The following is an extract of the independent auditor's report on the Group's annual financial statements for the year ended 31 December 2022:

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Material uncertainty related to going concern

We draw attention to note 2.1 to the consolidated financial statements, which indicates that the Group incurred a net loss of RMB504,220,000 during the year ended December 31, 2022 and the Group had two convertible bonds of which the holders had an option to require the Group to redeem all or some of such holders' bonds on February 11, 2023 and December 30, 2023, respectively, leading to the Group's current liabilities exceeding its current assets by RMB733,750,000 as of December 31, 2022. These conditions, along with other matters as set forth in note 2.1 to the consolidated financial statements, indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

The aforesaid "note 2.1 to the consolidated financial statements" in the extract from the Auditor's Report is disclosed as note 1.1 to this announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the website of the Stock Exchange (**www.hkexnews.hk**) and the Company's website (**www.vivabiotech.com**). The annual report of the Company for the year ended December 31, 2022 will be despatched to the Shareholders and published on the aforesaid websites in due course.

APPRECIATION

On behalf of the Board, I would like to thank all our colleagues for their diligence, dedication, loyalty and integrity. I would also like to thank all our Shareholders, customers, bankers and other business associates for their trust and support.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended December 31, 2022

	Notes	**2022** **RMB'000**	2021 RMB'000
REVENUE	3	**2,379,631**	2,104,083
Cost of sales		**(1,563,952)**	(1,453,102)
Gross profit		**815,679**	650,981
Other income and gains	3	**67,647**	123,445
Selling and distribution expenses		**(130,804)**	(93,974)
Administrative expenses		**(273,649)**	(226,311)
Research and development expenses		**(135,835)**	(92,382)
Fair value (loss)/gain on financial assets at fair value through profit or loss ("**FVTPL**")	12	**(364,178)**	45,676
Impairment losses on financial assets, net		**(9,411)**	(1,413)
Other expenses	4	**(253,990)**	(12,688)
Finance costs	5	**(184,674)**	(183,108)
(LOSS)/PROFIT BEFORE FAIR VALUE GAIN ON FINANCIAL LIABILITIES AT FVTPL AND TAX		**(469,215)**	210,226
Fair value gain on financial liabilities at FVTPL	18	**10,050**	137,475
(LOSS)/PROFIT BEFORE TAX	6	**(459,165)**	347,701
Income tax expense	7	**(45,055)**	(47,141)
(LOSS)/PROFIT FOR THE YEAR		**(504,220)**	300,560
Attributable to:			
Owners of the parent		**(528,475)**	287,546
Non-controlling interests		**24,255**	13,014
		(504,220)	300,560
		RMB	*RMB*
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
– Basic		**(0.28)**	0.15
– Diluted		**(0.28)**	0.08

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended December 31, 2022

	2022 *RMB'000*	2021 *RMB'000*
(LOSS)/PROFIT FOR THE YEAR	**(504,220)**	300,560
OTHER COMPREHENSIVE INCOME/(EXPENSE)		
Other comprehensive income/(expense) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	**91,660**	(34,009)
OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR, NET OF TAX	**91,660**	(34,009)
TOTAL COMPREHENSIVE (EXPENSE)/INCOME FOR THE YEAR	**(412,560)**	266,551
Attributable to:		
Owners of the parent	**(437,041)**	253,579
Non-controlling interests	**24,481**	12,972
	(412,560)	266,551

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2022

	Notes	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**1,501,711**	1,269,870
Right-of-use assets		**435,669**	454,031
Goodwill	*10*	**2,156,419**	2,156,419
Other intangible assets	*11*	**476,061**	531,444
Financial assets at FVTPL	*12*	**1,046,616**	1,246,730
Contract assets		**6,425**	16,124
Rental deposits and prepayments		**27,602**	71,037
Deferred tax assets		**18,178**	7,630
Pledged deposits	*14*	**313,367**	307,688
Total non-current assets		**5,982,048**	6,060,973
CURRENT ASSETS			
Inventories		**326,031**	231,721
Trade and bills receivables	*13*	**445,969**	429,703
Contract costs		**8,447**	13,995
Prepayments, other receivables and other assets		**85,333**	129,646
Derivative financial instruments		**–**	2,805
Pledged deposits	*14*	**394,458**	374,968
Cash and cash equivalents	*14*	**678,569**	800,947
Total current assets		**1,938,807**	1,983,785
CURRENT LIABILITIES			
Derivative financial instruments		**17,804**	–
Trade and bills payables	*15*	**326,130**	281,053
Other payables and accruals	*16*	**326,570**	315,489
Contract liabilities		**44,244**	50,005
Interest-bearing bank borrowings	*17*	**405,292**	233,052
Lease liabilities		**2,270**	5,692
Income tax payable		**41,629**	41,312
Convertible bonds – debt component	*18*	**1,508,618**	–
Total current liabilities		**2,672,557**	926,603

	Notes	2022 *RMB'000*	2021 *RMB'000*
NET CURRENT (LIABILITIES)/ASSETS		**(733,750)**	1,057,182
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,248,298**	7,118,155
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	*17*	**880,959**	818,764
Deferred income		**47,238**	36,441
Convertible bonds – debt component	*18*	**–**	1,569,415
Convertible bonds – embedded derivative instruments	*18*	**–**	53,805
Contract liabilities		**25,885**	38,828
Lease liabilities		**25,801**	27,774
Deferred tax liabilities		**92,201**	117,731
Other non-current liabilities		**571,500**	542,041
Total non-current liabilities		**1,643,584**	3,204,799
Net assets		**3,604,714**	3,913,356
EQUITY			
Equity attributable to owners of the parent			
Share capital	*19*	**326**	326
Treasury shares	*19*	**(134,651)**	(134,651)
Equity component of convertible bonds	*18*	**426,198**	468,731
Reserves		**3,312,841**	3,578,950
Total equity		**3,604,714**	3,913,356

NOTES:

1.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with IFRSs (which include all IFRSs, International Accounting Standards ("**IASs**") and interpretations) issued by the IASB, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss, derivative financial instruments and embedded derivative components of convertible bonds which have been measured at fair value. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

Going concern basis

During the year ended December 31, 2022, the Group incurred a net loss of RMB504,220,000 and as detailed in note 18, as of December 31, 2022, the Group had two convertible bonds of which the holders had an option to require the Group to redeem all or some of such holders' bonds on February 11, 2023 and December 30, 2023, respectively, leading to the Group's current liabilities exceeding its current assets by RMB733,750,000 as of December 31, 2022.

In this regard, the directors of the Company have identified various initiatives to address the Group's liquidity needs, which include the following:

(i) The Group is actively engaged in negotiation with potential investors related to the sale of certain assets or certain equity interests in subsidiaries of the Group;

(ii) The Group is considering to leverage on its relationship with external financiers to refinance any convertible bonds embedded with an early redemption option which are redeemed within twelve months from the end of the reporting period by way of issuing new equity and/or debt securities;

(iii) The Group has obtained back-up facilities of RMB150 million from various banks;

(iv) The Group will continue to implement measures to speed up the collection of outstanding trade and other receivables; and

(v) The Group will continue to take active measures to control administrative costs and contain capital expenditures.

The board of directors have reviewed the Group's cash flow projections prepared by management, which cover a period of twelve months from December 31, 2022. They are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from December 31, 2022. Accordingly, the directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether the Group is able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the following:

(i) The successful and timely signing of a binding agreement and completion of the sale of certain equity interests in the subsidiaries of the Group;

(ii) The successful obtaining of support from the market in relation to the Group's financing and refinancing plans as well as sale of assets; and

(iii) The successful and timely implementation of the plans to speed up collection of outstanding trade and other receivables, and decrease capital expenditure to further increase net cash inflows.

Should the Group be unable to achieve the above-mentioned plans and measures and operate as a going concern, adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended December 31, 2022. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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 described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 3	*Reference to the Conceptual Framework*
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*
Annual Improvements to IFRSs 2018-2020	*Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41*

The nature and the impact of the revised IFRSs are described below:

(a) Amendments to IFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* (the "**Conceptual Framework**") issued in June 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no business combination during the year, the amendments did not have any impact on the financial position and performance of the Group.

(b) Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by IAS 2 *Inventories*, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

(d) Annual Improvements to *IFRSs 2018-2020* sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are applicable to the Group are as follows:.

IFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

2 OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments as follows:

(a) Drug discovery services: structure-based drug discovery services to biotechnology and pharmaceutical customers for their pre-clinical stage innovative drug development; and

(b) Contract Development Manufacture Organisation ("**CDMO**") and commercialisation services: contract development and manufacturing services for small molecule APIs and intermediates and trading of APIs, intermediates and formulations.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. The adjusted (loss)/profit before tax is measured consistently with the Group's (loss)/profit before tax except that other income and gains, selling and distribution expenses, administrative expenses, research and development expenses, fair value (loss)/gain on financial assets at FVTPL, impairment losses on financial assets, net, other expenses, finance costs and fair value gain on financial liabilities at FVTPL are excluded from such measurement. No analysis of segment assets and liabilities is presented as management does not regularly review such information for the purposes of resource allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

The following is an analysis of the Group's revenue and results by reportable segments.

	Drug discovery services	**CDMO and commercialisation services**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Year ended December 31, 2022			
Segment revenue	**895,057**	**1,484,574**	**2,379,631**
Segment results	**397,338**	**418,341**	**815,679**
Reconciliation:			
Other income and gains			**67,647**
Selling and distribution expenses			**(130,804)**
Administrative expenses			**(273,649)**
Research and development expenses			**(135,835)**
Fair value loss on financial assets at FVTPL			**(364,178)**
Fair value gain on financial liabilities at FVTPL			**10,050**
Impairment losses on financial assets, net			**(9,411)**
Other expenses			**(253,990)**
Finance costs			**(184,674)**
Group's loss before tax			**(459,165)**
Year ended December 31, 2021			
Segment revenue	740,474	1,363,609	2,104,083
Segment results	342,193	308,788	650,981
Reconciliation:			
Other income and gains			123,445
Selling and distribution expenses			(93,974)
Administrative expenses			(226,311)
Research and development expenses			(92,382)
Fair value gain on financial assets at FVTPL			45,676
Fair value gain on financial liabilities at FVTPL			137,475
Impairment losses on financial assets, net			(1,413)
Other expenses			(12,688)
Finance costs			(183,108)
Group's profit before tax			347,701

Geographical information

(a) Revenue from external customers

	2022 *RMB'000*	2021 *RMB'000*
United States of America ("USA")	**915,818**	646,523
European Union	**508,471**	590,225
Other Asian countries and regions out of Mainland China	**392,800**	330,083
Mainland China	**382,377**	376,735
Africa	**64,550**	74,182
Other countries/regions	**115,615**	86,335
	2,379,631	2,104,083

The revenue information above is based on the locations of the customers' operations.

(b) Non-current assets

	2022 *RMB'000*	2021 *RMB'000*
Mainland China	**2,440,518**	2,325,858

The non-current asset information above is based on the locations of the assets and excludes financial instruments, goodwill, contract assets and deferred tax assets.

Information about a major customer

Revenue of approximately RMB431,164,000 (2021: RMB374,379,000) was derived from sales by the CDMO and commercialisation services segment to a single customer, including sales to a group of entities which are known to be under common control with that customer.

3. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2022 *RMB'000*	2021 *RMB'000*
Revenue from contracts with customers	**2,379,631**	2,104,083

Revenue from contracts with customers

(a) Disaggregated revenue information

For the year ended December 31, 2022

Segments	Drug discovery services *RMB'000*	CDMO and commercialisation services *RMB'000*	Total *RMB'000*
Types of goods or services			
Revenue from non-investees			
FTE services	**667,165**	**–**	**667,165**
FFS services	**126,229**	**15,678**	**141,907**
Sale of products	**–**	**1,456,082**	**1,456,082**
	793,394	**1,471,760**	**2,265,154**
Revenue from investees			
FTE services	**39,230**	**–**	**39,230**
FFS services	**8,352**	**12,814**	**21,166**
SFE services	**54,081**	**–**	**54,081**
	101,663	**12,814**	**114,477**
	895,057	**1,484,574**	**2,379,631**
Geographical markets			
USA	**671,141**	**244,677**	**915,818**
European Union	**44,115**	**464,356**	**508,471**
Other Asian countries and regions out of Mainland China	**5,487**	**387,313**	**392,800**
Mainland China	**130,296**	**252,081**	**382,377**
Africa	**–**	**64,550**	**64,550**
Other countries/regions	**44,018**	**71,597**	**115,615**
Total revenue from contracts with customers	**895,057**	**1,484,574**	**2,379,631**
Timing of revenue recognition			
Goods/services transferred at a point in time	**134,581**	**1,484,574**	**1,619,155**
Services transferred over time	**760,476**	**–**	**760,476**
Total revenue from contracts with customers	**895,057**	**1,484,574**	**2,379,631**

For the year ended December 31, 2021

Segments	Drug discovery services *RMB'000*	CDMO and commercialisation services *RMB'000*	Total *RMB'000*
Types of goods or services			
Revenue from non-investees			
FTE services	491,620	–	491,620
FFS services	117,626	–	117,626
Sale of products	–	1,363,036	1,363,036
	609,246	1,363,036	1,972,282
Revenue from investees			
FTE services	40,736	–	40,736
FFS services	4,693	–	4,693
SFE services	85,799	–	85,799
Sale of products	–	573	573
	131,228	573	131,801
Total revenue from contracts with customers	740,474	1,363,609	2,104,083
Geographical markets			
USA	536,690	109,833	646,523
European Union	40,013	550,212	590,225
Mainland China	119,573	257,162	376,735
Other Asian countries and regions out of Mainland China	9,826	320,257	330,083
Africa	–	74,182	74,182
Other countries/regions	34,372	51,963	86,335
Total revenue from contracts with customers	740,474	1,363,609	2,104,083
Timing of revenue recognition			
Goods/services transferred at a point in time	122,319	1,363,609	1,485,928
Services transferred over time	618,155	–	618,155
Total revenue from contracts with customers	740,474	1,363,609	2,104,083

The following table shows the amount of revenue recognised in the current reporting period that was included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2022	2021
	RMB'000	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
FFS services	**3,796**	2,625
Sale of products	**10,497**	10,761
	14,293	13,386

(b) Performance obligations

Information about the Group's performance obligations is summarised below:

FTE services

For services under the FTE model, revenue is recognised over time at the amount to which the Group has the right to invoice for services performed. Therefore, under practical expedients allowed by IFRS 15.121, the Group does not disclose the value of unsatisfied performance obligations under the FTE model.

FFS services

The performance obligation is satisfied upon finalisation, delivery and acceptance of the deliverable units or after the end of a confirmation period of the report and the payment is generally due within 30 days from the date of billing. Under the FFS model, contracts are generally within an original expected length of one year or less, therefore, the expedient allowed by IFRS 15.121 is also applied.

SFE services

For services under the SFE model, revenue is recognised over time at the amount to which the Group is entitled to receive the equity interests of the customer. Customers would transfer a certain number of their equity interests to the Group upon reaching pre-set milestones of FTE service value.

Sale of products

The performance obligation is satisfied upon delivery of the products or acceptance by the customers and payment is generally due within 30 to 90 days from delivery. For sales of products, contracts are generally within an original expected length of one year or less, therefore, the expedient allowed by IFRS 15.121 is also applied.

The amount of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at December 31 is as follows:

	2022	2021
	RMB'000	*RMB'000*
SFE services	**95,915**	105,186

The amount of transaction prices allocated to the remaining performance obligations is expected to be recognised as revenue within three years.

	2022	2021
	RMB'000	*RMB'000*
Other income		
Interest income		
– banks	**21,582**	26,466
– imputed interest income on rental deposits	**24**	109
Government grants	**36,470**	31,520
	58,076	58,095
Gains		
Gain on deemed disposal of interests in an associate	**–**	9,486
Net foreign exchange gain	**–**	31,414
Gain on modification of convertible bonds	**6,717**	–
Gain on derivative financial instruments	**–**	20,800
Gain on disposal of right-of-use assets	**164**	689
Revenue from sales of raw materials	**1,580**	2,478
Others	**1,110**	483
	9,571	65,350
	67,647	123,445

4. OTHER EXPENSES

	2022	2021
	RMB'000	*RMB'000*
Impairment loss on non-financial assets	**6,572**	2,097
Net foreign exchange loss	**146,391**	–
Loss on derivative financial instruments	**40,939**	–
Loss on disposal of property, plant and equipment	**2,065**	5,884
Loss on repurchase of convertible bonds	**45,421**	–
Others	**12,602**	4,707
	253,990	12,688

5. FINANCE COSTS

	2022	2021
	RMB'000	*RMB'000*
Interest on convertible bonds	**140,232**	136,104
Interest on lease liabilities	**1,337**	1,620
Interest expenses on bank borrowings	**48,516**	47,541
Total interest expense	**190,085**	185,265
Less: Interest capitalised	**5,411**	2,157
	184,674	183,108

6. (LOSS)/PROFIT BEFORE TAX

The Group's (loss)/profit before tax is arrived at after charging/(crediting):

	Notes	2022	2021
	Notes	***RMB'000***	*RMB'000*
Cost of inventories sold		**1,002,739**	992,001
Cost of services provided		**103,021**	78,537
Depreciation of property, plant and equipment		**114,777**	80,675
Depreciation of right-of-use assets		**16,460**	25,446
Amortisation of other intangible assets	*11*	**55,597**	52,363
Less: capitalised in contract costs		**(1,307)**	(846)
Less: capitalised in inventories		**(5,846)**	(1,457)
Less: capitalised in property, plant and equipment		**(1,380)**	(5,330)
		178,301	150,851
Staff cost (including directors' emoluments):			
– Independent non-executive directors' fees		**648**	621
– Salaries and other benefits		**683,841**	436,140
– Retirement benefit scheme contributions		**53,310**	38,975
– Share-based payment expenses		**24,817**	20,584
		762,616	496,320
Less: capitalised in contract costs		**(5,452)**	(6,402)
Less: capitalised in inventories		**(11,509)**	(9,536)
		745,655	480,382
Foreign exchange loss/(gain), net		**146,391**	(31,414)
Write-down of inventories and contract costs		**6,572**	2,097
Fair value loss/(gain) on derivative financial instruments		**40,939**	(20,800)
Gain on modification of convertible bonds		**(6,717)**	–
Loss on disposal of items of property, plant and equipment		**2,065**	5,528
Gain on disposal of right-of-use assets		**(164)**	(689)
Fair value loss on contingent consideration		**–**	6,115
Loss on repurchase of convertible bonds		**45,421**	–
Fair value gain on embedded derivative instruments of convertible bonds	*18*	**(10,050)**	(143,590)
Auditors' remuneration		**4,800**	5,270
Lease payment in respect of short-term leases		**–**	600

7. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The income tax expense of the Group for the period is analysed as follows:

	2022	2021
	RMB'000	*RMB'000*
Current tax		
– Hong Kong	**2,603**	1,373
– Mainland China	**77,989**	61,804
– Other countries	**232**	297
	80,824	63,474
Deferred tax	**(35,769)**	(16,333)
	45,055	47,141

Cayman Islands/BVI

Pursuant to the relevant rules and regulations of the Cayman Islands and the BVI, the Company and a subsidiary of the Group incorporated therein are not subject to any income tax in the Cayman Islands and the BVI.

Hong Kong

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK$2,000,000 (2021: HK$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

Mainland China

The provision for PRC corporate income tax is based on the statutory rate of 25% of the assessable profits of certain PRC subsidiaries of the Group as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on January 1, 2008, except for certain subsidiaries of the Group in Mainland China which are granted tax concession and are taxed at preferential tax rates.

Viva Biotech Shanghai renewed its "High and New Technology Enterprise" qualification in 2022 and is entitled to the preferential tax rate of 15% from 2022 to 2024.

Langhua Pharmaceutical renewed its "High and New Technology Enterprise" qualification in December 2021 and is entitled to the preferential tax rate of 15% from 2021 to 2023.

Xinshi Bio Medicine (Shanghai) Co., Ltd. ("**Synthesis Shanghai**") and Suzhou Xiangshi Medical Development Co., Ltd. ("**Synthesis Suzhou**") renewed their "Advanced Technology Enterprise" qualifications in 2022 and are entitled to the preferential tax rate of 15% from 2022 to 2024.

Sichuan Viva Benyuan Biotech Limited obtained its "High and New Technology Enterprise" qualification in 2022 and is entitled to the preferential tax rate of 15% from 2022 to 2024.

Pursuant to Caishui [2021] No.12 "Circular of the Ministry of Finance, the State Administration of Taxation Issued on the Implementation of Preferential Income Tax Policies for Small Low-profit Enterprises" (財政部税務總局關於實施小微企業和個體工商戶所得税優惠政策的公告), Shanghai Dancheng Entrepreneurship Incubator Management Limited ("**Shanghai Dancheng**"), whose annual taxable income is less than RMB1,000,000 will be included in the actual taxable income at 12.5%, based on which the enterprise income tax payable will be calculated at the reduced tax rate of 20%. This policy has taken effect on January 1, 2021 and will expire on December 31, 2022.

In addition, pursuant to Caishui [2022] No.13 "Circular of the Ministry of Finance, the State Administration of Taxation Issued on the Further Implementation of Preferential Tax Policies for Small Low-profit Enterprises" (財政部、國家税務總局關於進一步實施小微企業普惠性税收減免政策的通知), as for the small low-profit enterprises, the portion of taxable income more than RMB1,000,000 but less than RMB3,000,000, will be included in the actual taxable income at 25%, based on which the enterprise income tax payable will be calculated at the reduced tax rate of 20% from 2022 to 2024.

USA

The subsidiary, incorporated in California, the United States, is subject to statutory United States federal corporate income tax at a rate of 21%. It is also subject to the state income tax in California at a rate of 8.84%.

Australia

Under the Treasury Law Amendment (Enterprise Tax Plan Base Rate Entitles) Bill 2017 of Australia, corporate entity who qualified as a small business entity is eligible for the lower corporate tax rate at 26% for the six months ended June 30, 2021 and at 25% from July 1, 2021 to December 31, 2022, respectively. The subsidiaries incorporated in Australia are qualified as small business entitles and are subject to the lower company income tax rate on the estimated assessable profits.

United Kingdom

The subsidiary incorporated in the United Kingdom is subject to income tax at a rate of 19% on the estimated assessable profits.

A reconciliation of the tax expense applicable to (loss)/profit before tax using the applicable tax rate for the regions in which the majority of subsidiaries of the Company are domiciled to the tax expense at the effective tax rate is as follows:

	2022	2021
	RMB'000	*RMB'000*
(Loss)/profit before tax	**(459,165)**	347,701
Tax at the applicable tax rate of 25%	**(114,791)**	86,925
Preferential income tax rates applicable to subsidiaries	**(11,750)**	(17,958)
Effect on opening deferred tax of increase in rates	**1,949**	80
Adjustments in respect of current tax of previous years	**75**	(350)
Expenses not deductible for tax	**186,571**	11,866
Additional deduction allowance for research and development expenses	**(17,911)**	(10,350)
Income not subject to tax	**(4,088)**	(23,951)
Effect of tax rate differences in other jurisdictions	**2,854**	879
Effect of withholding tax at 7% on the interest income from Mainland China	**2,146**	–
Tax charge at the Group's effective rate	**45,055**	47,141

8. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic (loss)/earnings per share amount is based on the (loss)/earnings for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,915,437,000 (2021: 1,911,530,000) in issue during the year.

The diluted loss per share for the year ended December 31, 2022 did not assume the conversion of the US$280,000,000 convertible bonds and US$180,000,000 convertible bonds nor exercise of all batches of share options and restricted share units as their inclusion would be anti-dilutive.

The calculation of the diluted earnings per share amounts is based on the profit for the year ended December 31, 2021 attributable to ordinary equity holders of the parent, adjusted to reflect the interest on the US$180,000,000 convertible bonds and fair value gain on the derivative component of the US$180,000,000 convertible bonds. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year ended December 31, 2021, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares. The diluted earnings per share for the year ended December 31, 2021 did not assume the conversion of the US$280,000,000 convertible bonds nor exercise of certain batch of share options and restricted share units as their inclusion would be anti-dilutive.

The calculations of the basic and diluted (loss)/earnings per share are based on:

	2022	2021
	RMB'000	*RMB'000*
(Loss)/earnings		
(Loss)/earnings attributable to equity holders of the parent, used in the basic and diluted (loss)/earnings per share calculation	**(528,475)**	287,546
Add: Interest on convertible bonds	**–**	18,848
Less: Fair value gain on the embedded derivative instruments of the convertible bonds	**–**	143,590
(Loss)/profit attributable to ordinary equity holders of the parent before the impact of convertible bonds	**(528,475)**	162,804

	Number of shares *('000)*	
	2022	2021
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic (loss)/earnings per share calculation	**1,915,437**	1,911,530
Effect of dilutive potential ordinary shares:		
Share options	**–**	15,811
Restricted share units schemes	**–**	170
Convertible bonds	**–**	43,288
Weighted average number of ordinary shares for the purpose of calculating diluted (loss)/earnings per share	**1,915,437**	1,970,799

9. DIVIDENDS

The board of directors of the Company did not recommend the distribution of any annual dividend for the year ended December 31, 2022 (2021: Nil).

10. GOODWILL

	2022	2021
	RMB'000	*RMB'000*
Cost at January 1, net of accumulated impairment	**2,156,419**	1,847,723
Acquisition of subsidiaries	**–**	308,696
Impairment during the year	**–**	–
Cost and net carrying amount at December 31	**2,156,419**	2,156,419
At December 31		
Cost	**2,156,419**	2,156,419
Accumulated impairment	**–**	–
Net carrying amount	**2,156,419**	2,156,419

Impairment testing of goodwill

The goodwill comprises the fair value of expected business synergies arising from the acquisitions, which is not separately recognised.

The cash flows generated from each of the subsidiaries acquired are independent from those of the other subsidiaries of the Group. Therefore, each of these acquired subsidiaries is a separate cash-generating unit ("**CGU**"). Management of the Group considered that the synergies arising from each acquisition mainly benefited the corresponding acquired the subsidiaries. Therefore, for the purposes of impairment assessment, goodwill has been allocated to corresponding subsidiaries acquired:

- CDMO and commercialisation service CGU; and

- Chemistry drug discovery services CGU.

CDMO and commercialisation service CGU

The recoverable amount of the CDMO and commercialisation service CGU has been determined based on a value in use ("**VIU**") calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management.

The discount rate applied to the cash flow projections is 14.5% (2021: 14.5%). The growth rate used to extrapolate the cash flows of the CDMO and commercialization service CGU beyond the five-year period is 2.5% (2021: 2.5%). The budgeted gross margin used in the cash flow projections is from 31% to 33%. (2021: from 27% to 33%).

Chemistry drug discovery services CGU

The recoverable amount of the chemistry drug discovery services CGU was determined based on a VIU calculation using cash flow projections based on financial budget covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 15% (2021: 15%) and cash flows beyond the five-year period is extrapolated using a growth rate of 2.5% (2021: 2.5%). The budgeted gross margin used in the cash flow projections is 47% (2021: 47%).

The carrying amount of goodwill allocated to the operation of the CGU is as follows:

	2022	2021
	RMB'000	*RMB'000*
CDMO and commercialisation service CGU	**1,847,723**	1,847,723
Chemistry drug discovery services CGU	**308,696**	308,696
	2,156,419	2,156,419

Assumptions were used in the VIU calculation for December 31, 2022 and December 31, 2021, respectively. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Gross margins and operating expenses – Gross margins are based on the average gross margins achieved in the year immediately before the budget year and are increased over the budget period for anticipated efficiency improvements, and expected market development. Estimates on operating expenses reflect past experience and management's commitment to maintain them at an acceptable level.

Discount rates – the discount rates used are after tax and reflect specific risks relating to the relevant units.

Growth rates – the rate is based on published industry research.

The value assigned to the key assumptions on gross margins and operating expenses, discount rate and growth rate are consistent with management's past experience and external information sources.

Considering there was still sufficient headroom on the assessment, the management of the Company believes that a reasonably possible change in the above key parameters would not cause the carrying amount of the CGUs to exceed its recoverable amount as at December 31, 2022. No impairment loss in relation to goodwill in such CGUs is recognised for the year ended December 31, 2022.

11. OTHER INTANGIBLE ASSETS

	Patents *RMB'000*	Customer relationships *RMB'000*	Total *RMB'000*
December 31, 2022			
Cost at January 1, 2022, net of accumulated amortisation	**121,472**	**409,972**	**531,444**
Additions	**214**	**–**	**214**
Amortisation provided during the year	**(14,068)**	**(41,529)**	**(55,597)**
At December 31, 2022	**107,618**	**368,443**	**476,061**
At December 31, 2022			
Cost	**138,057**	**452,095**	**590,152**
Accumulated impairment	**(30,439)**	**(83,652)**	**(114,091)**
Net carrying amount	**107,618**	**368,443**	**476,061**
December 31, 2021			
Cost at January 1, 2021, net of accumulated amortisation	135,020	334,442	469,462
Acquisition of subsidiaries	–	113,895	113,895
Additions	712	–	712
Amortisation provided during the year	(13,998)	(38,365)	(52,363)
Disposal	(262)	–	(262)
At December 31, 2021	121,472	409,972	531,444
At December 31, 2021			
Cost	137,843	452,095	589,938
Accumulated impairment	(16,371)	(42,123)	(58,494)
Net carrying amount	121,472	409,972	531,444

The patents and customer relationships belong to the CDMO and commercialisation service CGU and Chemistry drug discovery services CGU and the management of the Group tests the patents and customer relationships for impairment in the CDMO and commercialisation service CGU and Chemistry drug discovery services CGU which is set out in note 10.

12. FINANCIAL ASSETS AT FVTPL

	2022	2021
	RMB'000	*RMB'000*
Listed equity securities	**1,407**	5,028
Unlisted investments at FVTPL	**1,045,209**	1,241,702
	1,046,616	1,246,730
Analysed for reporting purposes as:		
Current assets	**–**	–
Non-current assets	**1,046,616**	1,246,730
	1,046,616	1,246,730

(a) Investments at FVTPL

The movements in the carrying value of investments at FVTPL for the reporting period are as follows:

	RMB'000
At January 1, 2021	924,532
Acquired	249,517
Recognised from SFE revenue	86,438
Recognised from deemed disposal of an associate	9,486
Gain on fair value change	36,456
Disposal	(48,743)
Exchange adjustment	(10,956)
At December 31, 2021 and January 1, 2022	**1,246,730**
Acquired	**70,748**
Recognised from SFE revenue	**61,016**
Loss on fair value change	**(364,263)**
Disposal	**(22,637)**
Exchange adjustment	**55,022**
At December 31, 2022	**1,046,616**

(b) Financial products classified as financial assets at FVTPL

The movements in the carrying value of the financial products of FVTPL for the reporting period are as follows:

	RMB'000
At January 1, 2021	49,500
Acquired	1,854,711
Gain on fair value change	9,220
Disposal	(1,913,431)
At December 31, 2021 and January 1, 2022	–
Acquired	**142,153**
Gain on fair value change	**85**
Disposal	**(142,238)**
At December 31, 2022	**–**

13. TRADE AND BILLS RECEIVABLES

	2022	2021
	RMB'000	*RMB'000*
Trade receivables		
– third parties	**447,610**	432,462
Bills receivable	**13,483**	6,693
Impairment	**(15,124)**	(9,452)
	445,969	429,703

The Group allows a credit period ranging from 30 to 90 days to its customers (2021: 30 to 90 days). The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the involve date and net of loss allowance, is as follows:

	2022	2021
	RMB'000	*RMB'000*
Within 6 months	**428,040**	422,059
6 months to 1 year	**11,967**	4,558
Over 1 year	**5,962**	3,086
	445,969	429,703

The movements in the loss allowance for impairment of trade receivables are as follows:

	2022	2021
	RMB'000	*RMB'000*
At beginning of year	**9,452**	8,105
Acquisition of subsidiaries	**–**	207
Impairment losses, net	**6,042**	1,413
Amount written off as uncollectible	**(370)**	(273)
At end of year	**15,124**	9,452

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by customer type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at December 31, 2022

	Ageing			
	Less than 6 months	**7 to 12 months**	**Over 12 months**	**Total**
Expected credit loss rate	**2.81%**	**6.89%**	**23.96%**	**3.28%**
Gross carrying amount *(RMB'000)*	**440,399**	**12,853**	**7,841**	**461,093**
Expected credit losses *(RMB'000)*	**12,359**	**886**	**1,879**	**15,124**

As at December 31, 2021

	Ageing			
	Less than 6 months	7 to 12 months	Over 12 months	Total
Expected credit loss rate	2.10%	4.30%	10.20%	2.20%
Gross carrying amount *(RMB'000)*	430,953	4,765	3,437	439,155
Expected credit losses *(RMB'000)*	8,894	207	351	9,452

14. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2022 RMB'000	2021 RMB'000
Cash and bank balances	**678,569**	800,947
Pledged deposits	**707,825**	682,656
	1,386,394	1,483,603
Less:		
Pledged time deposits for letters of credit	**(668,515)**	(656,400)
Pledged time deposits for notes payable	**(28,826)**	(15,803)
Restricted bank balances	**(10,484)**	(10,453)
Cash and cash equivalents	**678,569**	800,947
Denominated in RMB	**390,149**	630,769
Denominated in US$	**265,358**	110,268
Denominated in HK$	**501**	46,723
Denominated in AU$	**8,089**	2,468
Denominated in GBP	**13,363**	9,639
Denominated in other currencies	**1,109**	1,080
Cash and cash equivalents	**678,569**	800,947

The RMB is not freely convertible into other currencies, however, under the Mainland China Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods of between one day and twelve months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged time deposits are deposited with creditworthy banks with no recent history of default.

At December 31, 2022, the restricted bank balances of RMB10,484,000 (2021: RMB10,453,000) represented government grants and subsidies received by the Group and are restricted for use till the Group complied with the conditions attached to the grants and the government acknowledged acceptance. Corresponding liabilities are recorded in deferred income.

15. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	2022	2021
	RMB'000	*RMB'000*
Within 3 months	**227,725**	209,621
3 months to 1 year	**96,628**	66,274
Over 1 year	**1,777**	5,158
	326,130	281,053

The trade and bills payables are non-interest-bearing and are normally settled on 90-day terms.

16. OTHER PAYABLES AND ACCRUALS

	2022	2021
	RMB'000	*RMB'000*
Other payables		
– Payable for acquisition	**–**	81,202
– Payable for construction in progress	**154,733**	104,985
– Others	**31,465**	23,452
	186,198	209,639
Salary and bonus payables	**123,953**	85,142
Other taxes payable	**14,366**	17,277
Interest payable	**2,053**	3,431
	326,570	315,489

Other payables are non-interest-bearing.

17. INTEREST-BEARING BANK BORROWINGS

	2022			2021		
	Effective interest rate (%)	Maturity	*RMB'000*	Effective interest rate (%)	Maturity	*RMB'000*
Current						
Bank loans – unsecured	**One-year 2.5-4.41**	**2023**	**323,938**	One-year 3.915-4.41	2022	228,900
	One-year Loan prime rate ("LPR")-40 Basepoints ("bps")	**2023**	**29,000**	–	–	–
	One-year LPR-10bps	**2023**	**21,000**	–	–	–
Current portion of long term bank loans – secured	**Eight-year LPR*110%**	**2023**	**202**	Eight-year ("LPR")*110%	2022	584
Current portion of long term bank loans – secured and guaranteed (a)	**One-year LPR+50bps**	**2023**	**10,000**	One-year LPR-10 bps	2022	3,568
Current portion of long term bank loans – secured	**One-year LPR-50bps**	**2023**	**21,152**	–	–	–
			405,292			233,052
Non-current						
Bank loans – secured and guaranteed (a)	**One-year LPR+50 bps**	**2024-2025**	**546,000**	One-year LPR+50 bps	2023-2025	556,000
Bank loans – secured	**–**	**–**	**–**	Eight-year LPR * 110%	2023	202
Bank loans – secured	**Five-year LPR+10 bps**	**2026**	**43,794**	Five-year LPR+10 bps	2026	80,170
Bank loans – secured	**Five-year LPR+10 bps**	**2027**	**56,320**	Five-year LPR+10 bps	2027	8,100
Bank loans – secured	**One-year LPR-10 bps**	**2024-2026**	**234,845**	One-year LPR-10 bps	2023-2026	174,292
			880,959			818,764
			1,286,251			1,051,816

	2022	2021
	RMB'000	*RMB'000*
Analysed into:		
Bank loans and overdrafts repayable:		
Within one year or on demand	**405,292**	233,052
In the second year	**608,282**	14,430
In the third to sixth years, inclusive	**272,677**	804,334
	1,286,251	1,051,816

Notes:

(a) To finance the acquisition of an 80% equity interest in Langhua Pharmaceutical, the bank loans incurred are pledged with one-year deposits of RMB640,000,000 of the Group as collateral and guaranteed by the Company. In addition, the buildings as well as the right-of-use assets with carrying amount of approximately RMB117,203,000 was also pledged as collateral to secure such bank borrowing at December 31, 2022.

18. CONVERTIBLE BONDS

(a) US$180,000,000 convertible bonds

On February 11, 2020, Viva Incubator HK issued five-year 2.5% convertible bonds in an aggregate principal amount of US$180,000,000, which were guaranteed by the Company.

The conversion period is on or after March 23, 2020 up to the close of business on the 10th day prior to February 11, 2025 and the price of ordinary shares of the Company to be issued in exercise of the right of conversion is initially HK$5.7456 per share. The conversion price would be subject to adjustment for, among other things, consolidation, subdivision, redesignation or reclassification of shares, capitalisation of profits or reserves, distributions, rights issues of shares or options over shares, rights issues of other securities, issues at less than current market price, other issues at less than current market price, modification of rights of conversion, other offers to shareholders.

In addition to the conversion price adjustment situation mentioned above, on February 11, 2021 and February 11, 2022 (the "**reset date**"), the conversion price shall be adjusted by the arithmetic average of the volume weighted average prices of the shares on each trading day for the period of 20 consecutive trading days ending on the trading day immediately prior to the relevant reset date. Any such adjustment to the conversion price shall be limited such that the adjusted conversion price in no event shall be less than HK$4.56.

On February 11, 2025, Viva Incubator HK would redeem all unconverted bonds from bondholders at the price of 108.21% of their principal amount, together with accrued and unpaid interest thereon.

On February 11, 2023 ("**Put Option Date 1**"), Viva Incubator HK would at the option of the holder of any bond redeem all or some only of such holder's bonds at 104.73% of its principal amount, together with interest accrued but unpaid to (but excluding) such date. To exercise such option, the holder must deposit during normal business hours at the specific office of any paying agent a duly completed and signed put notice in the form for the time being current, obtainable from the specified office of any paying agent, together with the certificate evidencing the bonds to the redeemed not more than 60 days and not less than 30 days prior to the Put Option Date 1.

Subsequently to the reporting period, the Group completed the full redemption of its US$180,000,000 2.50 per cent guaranteed convertible bonds in February 2023.

On giving not less than 30 nor more than 60 days' notice to the bondholders, the trustee and the principal agent (which notice will be irrevocable), Viva Incubator HK may at any time prior to February 11, 2025 redeem in whole, but not in part, the bonds for the time being outstanding at their early redemption amount, together with interest accrued but unpaid to but excluding the date fixed for redemption provided that prior to the date of such notice at least 90% in principal amount of the bonds originally issued has already been converted, redeemed or purchased and cancelled.

The US$180,000,000 convertible bonds comprise two components:

(i) Debt component initially measured at fair value amounting to US$129,863,000 (equivalent to RMB919,365,000) and subsequently measured at amortised cost using the effective interest method after considering the effect of the transaction costs; and

(ii) Derivative component comprising conversion options and early redemption options (not closely related to the debt component), which was initially measured at fair value amounting to US$50,137,000 (equivalent to RMB354,945,000) and subsequently measured at fair value with changes in fair value recognised in profit or loss.

The total transaction costs that are related to the issue of the US$180,000,000 convertible bonds were allocated to the debt and derivative components in proportion to their respective fair values. The total transaction costs relating to the derivative components were charged to profit or loss in the current year. Transaction costs relating to the debt component were included in the carrying amount of the debt portion and amortised over the period using the effective interest method.

On February 11, 2022, in accordance with the reset mechanism of the US$180,000,000 convertible bonds, the conversion price has been adjusted from HK$5.7456 to HK$5.11 per share. Details of which are set out in the announcement of the Company dated February 16, 2022.

As the reset mechanism no longer exist, the conversion would result in settlement by exchange of a fixed number of equity instrument from reset date. Therefore, the embedded derivative component of conversion option was derecognised to be replaced with an equity component. The Group reassessed the fair value of the US$180,000,000 convertible bonds on February 11, 2022. The fair value of the debt component was estimated using an equivalent market interest rate for a similar bond without a conversion option, any consequent adjustment was recognised immediately in profit or loss. The residual amount was assigned as the equity component and included in shareholders' equity.

	Debt component	**Embedded derivative components**	**Equity**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At December 31, 2021	169,861	53,805	–	223,666
Interest charged	13,445	–	–	13,445
Gain arising on changes of fair value	–	(10,050)	–	(10,050)
Modification	–	(43,990)	37,273	(6,717)
Repurchase*	(162,373)	–	(29,585)	(191,958)
Exchange adjustments	20,634	235	–	20,869
At December 31, 2022	41,567	–	7,688	49,255
At December 31, 2020	159,968	200,291	–	360,259
Interest charged	13,712	–	–	13,712
Gain arising on changes of fair value	–	(143,590)	–	(143,590)
Exchange adjustments	(3,819)	(2,896)	–	(6,715)
As at December 31, 2021	169,861	53,805	–	223,666

* On November 28, 2022, an aggregate principal amount of US$25,400,000 convertible bonds were repurchased by Viva Incubator HK at a total consideration of US$25,222,000 (equivalent to RMB175,554,000). The Group determined the fair value of the liability component and allocated this part of the purchase price to the liability component, the difference between the consideration allocated to the liability and the carrying amount of the liability is recognised in profit and loss, which was US$3,197,000 (equivalent to RMB21,501,000). The Group allocated the remainder of the purchase price to the equity component, the difference between the consideration allocated to the equity component and the carrying amount of the equity component was recognised in equity, which was US$5,293,000 (equivalent to RMB37,906,000).

No conversion or redemption of the convertible bonds has occurred during the year ended December 31, 2022 (2021: Nil).

(b) US$280,000,000 convertible bonds

On December 30, 2020, Viva Biotech BVI issued five-year 1% convertible bonds in an aggregate principal amount of US$280,000,000, which were guaranteed by the Company.

The conversion period is on or after February 9, 2021 up to the close of business on the 10th day prior to December 30, 2025 and the price of ordinary shares of the Company to be issued in exercise of the right of conversion is initially HK$11.637 per Share. The conversion price would be subject to adjustment for, among other things, consolidation, subdivision, redesignation or reclassification of shares, capitalisation of profits or reserves, distributions, rights issues of shares or options over shares, rights issues of other securities, issues at less than current market price, other issues at less than current market price, modification of rights of conversion, other offers to shareholders. The number of shares to be issued on conversion will be determined at the fixed exchange rate of HK$7.7519 to US$1.

On December 30, 2025, Viva Biotech BVI would redeem all unconverted bonds from bondholders at the price of 105.23% of its principal amount, together with accrued and unpaid interest thereon.

On December 30, 2023 ("**Put Option Date 2**"), Viva Biotech BVI would, at the option of the holder of any bond redeem all or some only of such holder's bonds on December 30, 2023 at 103.08% of its principal amount, together with interest accrued but unpaid to (but excluding) such date. To exercise such option, the holder must deposit during normal business hours at the specific office of any paying agent a duly completed and signed put notice in the form for the time being current, obtainable from the specified office of any paying agent, together with the certificate evidencing the bonds to the redeemed not more than 60 days and not less than 30 days prior to the Put Option Date 2.

On giving not less than 30 nor more than 60 days' notice to the bondholders, the trustee and the principal agent (which notice will be irrevocable), Viva Biotech BVI:

(i) may at any time after January 9, 2024 and prior to December 30, 2025 redeem in whole, but not in part, the bonds for the time being outstanding at the early redemption amount, together with interest accrued but unpaid to but excluding the date fixed for redemption, provided that the closing price of the shares for each of 20 out of 30 consecutive trading days, the last of which occurs not more than five trading days prior to the date upon which notice of such redemption, is published was at least 130% of the applicable early redemption amount for each bond divided by the conversion ratio then applicable; or

(ii) may at any time prior to December 30, 2025 redeem in whole, but not in part, the bonds for the time being outstanding at their early redemption amount, together with interest accrued but unpaid to but excluding the date fixed for redemption, provided that prior to the date of such notice at least 90% in principal amount of the bonds originally issued have already been converted, redeemed or purchased and cancelled.

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The residual amount is assigned as the equity component and is included in shareholders' equity.

The US$280,000,000 convertible bonds have been split into the debt and equity components as follows:

	Debt component *RMB'000*	Equity component *RMB'000*	Total *RMB'000*
At December 31, 2021	1,399,554	468,731	1,868,285
Interest charged	103,969	–	103,969
Repurchase**	(162,054)	(50,221)	(212,275)
Exchange adjustments	125,582	–	125,582
At December 31, 2022	**1,467,051**	**418,510**	**1,885,561**
At December 31, 2020	1,331,880	468,731	1,800,611
Interest charged	99,293	–	99,293
Exchange adjustments	(31,619)	–	(31,619)
At December 31, 2021	1,399,554	468,731	1,868,285

** During the year ended December 31, 2022, an aggregate principal amount of US$30,000,000 convertible bonds were repurchased by Viva Biotech Investment at a total consideration of US$19,200,000 (equivalent to RMB126,751,000). The Group determined the fair value of the liability component and allocated this part of the purchase price to the liability component, the difference between the consideration allocated to the liability and the carrying amount of the liability is recognised in profit and loss, which was US$3,556,000 (equivalent to RMB23,920,000). The Group allocated the remainder of the purchase price to the equity component, the difference between the consideration allocated to the equity component and the carrying amount of the equity component was recognised in equity, which was US$16,376,000 (equivalent to RMB109,444,000).

No conversion or redemption of the convertible bonds has occurred during the year ended December 31, 2022.

19. SHARE CAPITAL/TREASURY SHARES

Shares

	2022 ***RMB'000***	2021 *RMB'000*
Issued and fully paid:		
1,935,036,805 shares of US$0.000025 each		
(2021: 1,935,036,805 shares of US$0.000025 each) ordinary shares	**326**	326

Share capital

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital *RMB'000*
At January 1, 2021	1,917,880,747	323
Share repurchase and cancellation	(11,493,000)	(2)
Shares issued upon business combination	8,654,685	2
Shares issued upon exercise of equity-settled share-based payment	19,994,373	3
At December 31, 2021, January 1, 2022 and December 31, 2022	1,935,036,805	326

Treasury shares

	Number of shares repurchased	Treasury shares *RMB'000*
At December 31, 2020 and January 1, 2021	6,144,000	52,683
Repurchase of ordinary shares for restricted share units	13,856,000	85,398
Exercise of restricted share units	(400,000)	(3,430)
At December 31, 2021, January 1, 2022 and December 31, 2022	19,600,000	134,651

DEFINITIONS

In this announcement, unless the context otherwise indicated, the following expressions shall have the following meanings:

"2023 AGM"	the 2023 annual general meeting of the Company to be held on Friday, June 30, 2023
"API"	active pharmaceutical ingredients
"Articles of Association"	the articles of association of the Company, as amended from time to time
"Audit Committee"	the audit committee of the Board of Directors
"BVI"	the British Virgin Islands
"Board of Directors" or "Board"	the board of Directors of the Company
"CDMO"	contract development manufacture organization
"CG Code"	the Corporate Governance Code contained in Appendix 14 to the Listing Rules
"CGU"	cash-generating units
"CMC"	chemistry, manufacturing and control
"China" or "PRC"	the People's Republic of China, which, for the purpose of this interim report and for geographical reference only, excludes Hong Kong, Macau and Taiwan
"Company" or "our Company"	Viva Biotech Holdings (维亚生物科技控股集团), an exempted company with limited liability incorporated in the Cayman Islands on August 27, 2008
"Convertible Bonds due December 2025"	US$280 million 1.00% guaranteed convertible bonds due December 2025 issued by Viva Biotech BVI with the debt stock code 40514
"Convertible Bonds due February 2025"	US$180 million 2.50% guaranteed convertible bonds due February 2025 issued by Viva Incubator HK with the debt stock code 40144
"CRO"	contract research organization
"CXO"	contract organization providing a range of contract functions including those provided by CRO and CDMO

"Directors"	the director(s) of the Company or any one of them
"GFA"	gross floor area
"Global Offering"	has the meaning ascribed to it under the Prospectus
"Group", "our Group", "we" or "us"	the Company and its subsidiaries from time to time or, where the context so requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"HK$"	Hong Kong dollars and cents, each being the lawful currency of Hong Kong
"IFRS"	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
"Langhua Pharmaceutical"	Zhejiang Langhua Pharmaceutical Co., Ltd.
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
"Model Code"	the "Model Code for Securities Transactions by Directors of Listed Issuers" set out in Appendix 10 to the Listing Rules
"Post-IPO Share Option Scheme"	the post-IPO share option scheme approved and adopted by the Company on April 14, 2019 and modified on June 24, 2022
"Pre-IPO Share Incentive Scheme(s)"	the pre-IPO stock incentive plans approved and adopted by the Company on July 1, 2009 and June 21, 2018
"Prospectus"	the prospectus of the Company dated April 25, 2019
"R&D"	research and development
"Reporting Period" or "Year"	the year ended December 31, 2022

"Restricted Share Unit Scheme"	the restricted share unit scheme approved by the Company on June 5, 2020
"RMB"	Renminbi, the lawful currency of the PRC
"U.S. dollars" or "US$"	United States dollars and cents, each being the lawful currency of the United States of America
"United States" or "USA"	the United States of America
"Share(s)"	ordinary share(s) in the share capital of our Company with a par value of US$0.000025 each
"Shareholder(s)"	holder(s) of Shares
"Stock Exchange"	the Stock Exchange of Hong Kong Limited
"Synthesis HK"	SYNthesis med chem (Hong Kong) Limited
"Viva Incubator HK"	Viva Incubator Investment Management Limited, a wholly owned subsidiary of the Company
"Viva Biotech BVI"	Viva Biotech Investment Management Limited, a wholly owned subsidiary of the Company

By Order of the Board
Viva Biotech Holdings
MAO Chen Cheney
Chairman and Chief Executive Officer

Hong Kong, March 30, 2023

As at the date of this announcement, the Board comprises three Executive Directors, namely, Mr. Mao Chen Cheney (Chairman), Mr. Wu Ying and Mr. Ren Delin; a Non-executive Director, namely, Mr. WU Yuting; and three Independent Non-executive Directors, namely, Mr. Fu Lei, Ms. Li Xiangrong and Mr. Wang Haiguang.