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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)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED JUNE 30, 2023

The board (the “**Board**”) of directors (the “**Directors**”) of Viva Biotech Holdings (the “**Company**” and, together with its subsidiaries, collectively the “**Group**”) is pleased to announce the unaudited condensed consolidated financial results of the Group for the six months ended June 30, 2023 (the “**Reporting Period**”).

FINANCIAL HIGHLIGHTS

	Six months ended June 30,	
	2023	2022
	RMB million	RMB million
	Unaudited	Unaudited
Revenue	1,142.2	1,108.7
Gross Profit	406.0	345.0
Gross Profit Margin	35.5%	31.1%
Net Profit (Loss)	13.7	(85.2)
Adjusted Non-IFRS Net Profit	146.1	89.0
Adjusted Non-IFRS Net Profit Margin	12.8%	8.0%
	RMB	RMB
Earnings (Loss) per share		
– Basic	0.001	(0.05)
– Diluted	0.001	(0.05)
Adjusted Non-IFRS Earnings per share		
– Basic	0.07	0.04
– Diluted	0.07	0.04

NON-IFRS MEASURE

To supplement the Group's unaudited condensed consolidated financial statements which are presented in accordance with the International Financial Reporting Standards ("IFRS"), the Company has provided adjusted non-IFRS net profit, adjusted non-IFRS net profit margin, and adjusted non-IFRS earnings per share 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 IFRS. You should not view the adjusted results on a stand-alone basis or as a substitute for results under IFRS.

Additional information is provided below to reconcile adjusted non-IFRS net profit.

Adjusted Non-IFRS net profit

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net Profit (Loss)	13,659	(85,220)
Less: fair value gain on financial liabilities at FVTPL	–	(10,050)
Add: interest expenses of the debt components of the Convertible Bonds	63,182	67,818
Add: loss on repurchase of the Convertible Bonds	5,133	4,012
Add: amortization of acquired assets	24,085	24,258
Add: foreign exchange loss	40,047	88,133
Adjusted Non-IFRS Net Profit (Note i)	146,106	88,951
Adjusted Non-IFRS Net Profit Margin	12.8%	8.0%

Note:

- i. In order to better reflect the key performance of the Group's current business and operations, the adjusted Non-IFRS net profit is calculated on the basis of net profit/loss, excluding:
 - a) Fair value gain on financial liabilities at FVTPL and amortization of fair value increment in acquired assets, which the management believes are non-cash items;
 - b) Interest expenses of the debt components of the Convertible Bonds and foreign exchange loss, which the management believes is not related to the operation of the Group's business; and
 - c) Loss on repurchase of the Convertible Bonds, which the management believes is non-recurring items.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the first half of 2023, despite the fading COVID-19 impact, the US dollar interest rate hikes still weighed on the global capital market, which led to an impact on biopharmaceutical investment and financing and in turn the pressure on pipelines and research and development (“R&D”) investment of new drug innovators in the short term. Nevertheless, in a long-term perspective, original biopharmaceutical development still maintains a robust growth across the world, where the growing proportion of R&D and production outsourcing should continue to be a key trend ahead. 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 2,189; the Group’s revenue during the Reporting Period increased by approximately 3.0% from RMB1,108.7 million for the corresponding period of last year to RMB1,142.2 million; and our gross profit increased by approximately 17.7% from RMB345.0 million for the corresponding period of last year to RMB406.0 million. The Group’s adjusted non-IFRS net profit increased by approximately 64.2% from RMB89.0 million for the corresponding period of last year to RMB146.1 million. This was mainly attributable to the investment income from our successful exit of certain portfolio companies as well as the positive contribution from our CDMO product mix changes.

In addition, during the Reporting Period, the Group successfully entered into SPA agreements with strategic investors Temasek and HighLight Capital for raising a total of nearly US\$210 million, and the financing planned to be completed in the second half of 2023. While providing us a solution to repayment of convertible bonds, the introduction of strategic investors will contribute to our corporate governance, business operations and investment and financing plans, and generate strong synergy in terms of strategic development in the long run. This move will effectively fuel our growth in the long horizon as well as the implementation and deepening of our integration strategy.

CRO Business Continued to Grow with an Attractive Outlook

During the first half of 2023, the Company’s revenue from CRO business increased by approximately 8.7% from RMB406.0 million for the corresponding period of last year to RMB441.3 million. The slower revenue growth in the first half of 2023 compared to previous years was mainly attributable to the impact of global biopharmaceutical investment and financing slowdown on innovative drug R&D investment, as well as a strategic adjustment of our EFS business. Despite the challenging external conditions, the Company still maintained a resilient growth trend on the whole.

Our order backlog amounted to approximately RMB973.0 million, representing a decrease from the corresponding period of last year. To some extent, the growth of order backlog was affected by the global biopharmaceutical investment and financing slowdown and the strategic adjustment of our EFS business. However, it is foreseeable that as global biopharmaceutical investment and financing data gradually pick up steam, we will also strengthen capacity building of our business development team, accelerate online and offline marketing innovations, expedite the implementation of our integration strategy for biological and chemical segments, and draw upon our increasing presence in emerging technology platforms to drive the growth of CRO business.

As at June 30, 2023, the Company had delivered more than 56,128 protein structures to our clients, approximately 7,203 of which were newly delivered in the first half of 2023, and conducted R&D on over 1,892 independent drug targets, 14 of which were newly delivered in the first half of 2023. Currently, the Company maintains a leading position in the industry worldwide in the field of protein structure analysis. In addition, we seek to maximize the value of existing customers through the synergistic development of biological and chemical segments while continuing to step up the integration of online digital marketing and our offline business development team. Besides, the Company will continue to tap into emerging technology platforms. As of the end of the Reporting Period, the Company has newly established a covalent compound library and a molecular glue screening platform. Besides, the Company applied the in-depth learning functions of Computer-aided drug design (CADD) in design of macromolecular drugs, such as antibody structure prediction and prediction of feasibility of antibody development.

The cumulative number of clients served had increased to 1,314, including the global top ten pharmaceutical companies (by reported total revenue for the first half of 2023), and revenue from the top ten customers accounted for 26.9% of our total revenue. Clients of our CRO business are geographically diverse, of whom those from overseas contributed approximately 86.5% of our total revenue, representing a period-on-period increase of approximately 12.4%, and those from mainland China contributed approximately 13.5% of our total revenue, representing a period-on-period decrease of approximately 10.5%. Looking ahead, the Company will continue to take cost effectiveness boosting and personnel downsizing measures to further improve profitability of CRO business.

During the Reporting Period, our utilization of synchrotron radiation source reached 1,020 hours. The Company established long-term cooperation with 13 synchrotron radiation source centers around the world, which are distributed in 10 countries/regions, i.e., Shanghai, China, the United States, Canada, Japan, Australia, the United Kingdom, France, Germany, Switzerland and Taiwan, China, thus guaranteeing uninterrupted data collection all year round.

Gross Profit from CDMO Grew Desirably with an Increasing Number of CMC Projects

During the Reporting Period, the Group laid great emphasis on strategic cooperation and synergy with Langhua Pharmaceutical. While refining CDMO capacity footprint and business mix, we further optimized and introduced projects to CMC business.

During the first half of 2023, Langhua Pharmaceutical's revenue amounted to RMB700.9 million, representing a period-on-period decrease of approximately 0.3%; and its gross profit amounted to RMB208.1 million, representing a period-on-period increase of approximately 25.3%. The higher growth of gross profit than that of revenue was mainly attributable to CDMO product structure changes during the Reporting Period.

As at June 30, 2023, Langhua Pharmaceutical had served a total of 875 clients, with the top ten clients accounting for 62.1% of its total revenue. The retention rate of the top ten clients was 100%. During the Reporting Period, in respect of capacity building, our total available capacity has reached 860 cubic meters. In addition, Langhua Pharmaceutical is planning to build a new production capacity of 400 cubic meters between 2024 and 2025. Currently, the relevant ground work is under construction, and the selection and procurement process for certain equipment has started. As the potential capacity gradually releases, it will provide adequate support to our future revenue growth.

CMC business witnessed an increasing number of projects, but remained in the profit ramp-up stage for new operations. 143 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 129; and the CMC business generated revenue of nearly RMB25.0 million during the Reporting Period. Looking forward, the Group will further strengthen business development and introduction of high-quality CMC projects, leveraging potential internal project resources and enhancing costs effectiveness to achieve a break-even for CMC business. In addition, in terms of the number of customers, CMC customers secured through external business development accounted for nearly 78.0%, versus nearly 22.0% introduced from Viva Biotech; in terms of order value, CMC orders secured through external business development accounted for 37.0%, versus 63.0% introduced from Viva Biotech. This suggests that among the existing CMC projects, the projects introduced from Viva Biotech are characterized by large order value, and those secured by external business development are characterized by a large number of projects.

Achieve the Investment Income from Successful Exit of Certain Incubation Portfolio Companies and will Continue the Incubation Business through the Establishment of Investment Funds in Future

During the Reporting Period, the Company successfully realized 5 investment exits or partial exits, two of which occurred subsequent to the Reporting Period, and received the relevant investment income. In addition, we added one start-up to our portfolio companies through a stock-for-stock deal. As at June 30, 2023, the Group had invested in a total of 92 portfolio companies. The portfolio companies are mainly from the United States, Canada, Europe and China. 67.0% of the portfolio companies are from North America and 26.0% are from China. The details of the portfolio company added during the Reporting Period are as follows:

Details of portfolio company newly introduced in the first half of 2023:

No.	Company Name	Region	Time of Investment	Type	Indications/Primary Technology/ Business
1	Full-Life Technologies	China	January 2023	Acquired through a stock-for-stock deal	A fully integrated international radiopharmaceutical therapy company; indications of key pipelines: cancers

In the first half of 2023, 7 of our portfolio companies completed or were close to completing a new round of financing, raising approximately US\$156.0 million in total. The R&D efforts of the portfolio companies were advancing smoothly, with the total number of pipeline projects reaching close to 217, of which 182 pipelines are in the preclinical stage and 35 pipelines in the clinical stage. So far, the Group has successfully realized 11 investment exits or partial exits, and may have nearly 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, with relevant work in smooth progress. We intend 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 Rules (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

TECHNOLOGICAL HIGHLIGHTS AND R&D BREAKTHROUGHS

During the Reporting Period, the Group's R&D spending was RMB76.7 million, representing a period-on-period increase of 87.5% from RMB40.9 million for the six months ended June 30, 2022. 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. During the Reporting Period, the Company newly established a covalent compound library and a molecular glue screening platform.

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 12.3% of total revenue from CRO business. Our services primarily include studies on protein preparation and structure research, high-throughput screening of PROTAC molecules, kinetics, drug metabolism, pharmaceutical chemistry, Bioassay, CADD, etc. As at June 30, 2023, the Company had conducted research into over 50 E3 ligase structures and delivered more than 110 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, CADD is based on physical chemistry models and empowered by artificial intelligence algorithms with the aid of supercomputing clusters and has been widely used in various drug R&D stages. Our Computational Chemistry Department has developed a series of advanced project-oriented algorithms (such as FEP) to resolve real-world problems. Comparing with traditional computational chemistry tools and commercially-available software packages, such implementations of the cutting-edge techniques better facilitates the progress of drug R&D projects. In addition to traditional small molecule drug design, the methods developed by the computational chemistry platform have also been applied to a broad range of drug modalities and have achieved breakthroughs through experimental validation such as antibodies, peptides, RNA therapies, etc.

STAFF AND FACILITIES

As at June 30, 2023, the Group had a total of 2,271 employees, of whom the number of CRO R&D personnel reached 1,341. 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 has been put into full operation.
- The incubation center located in Faladi Road, Shanghai has usable GFA of approximately 7,576 square meters, including 5,552 square meters of laboratory area.
- The park with a total GFA of approximately 64,564 square meters in Chengdu, of which 12,210 square meters of properties had been partially put into use as at June 30, 2023, including 10,800 square meters of laboratory area.
- For the novel drug incubation center with a 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 has been officially put into operation. Currently, 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 enhance the integrated service between biological and chemical business, continuously strengthen the construction of a one-stop drug R&D and manufacturing service platform to deepen synergies between CRO and CDMO businesses. Additionally, the Company will also improve its capability construction of front-end project business, reinforce funnel effects, further accelerate backend business, to proactively establish an open collaborative platform and win-win ecosystem for global biomedical innovators.

Discussion of Result of Operation

Revenue

The Group's revenue in the Reporting Period was approximately RMB1,142.2 million, representing an increase of approximately 3.0% as compared to approximately RMB1,108.7 million in the corresponding period last year. The increase was mainly due to the continuous growth of drug discovery services and relative stability of CDMO and commercialisation services.

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.

	Six months ended June 30,	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Types of goods or services		
Drug discovery services		
– Full-time-equivalent (“FTE”)	353,341	322,495
– Fee-for-service (“FFS”)	79,434	57,543
– Service-for-equity (“SFE”)	8,519	26,032
CDMO and commercialization services		
– Sale of products	700,890	702,677
	<u>1,142,184</u>	<u>1,108,747</u>

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

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
USA	476,122	383,435
Europe	300,500	253,806
PRC	151,441	193,594
Other Asia countries and regions outside of the PRC	136,484	166,821
Africa	20,117	35,763
Others	57,520	75,328
	1,142,184	1,108,747

The increase in 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. This was mainly due to increases in the number of customers as well as customer orders.

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 RMB736.2 million, representing a decrease of approximately 3.6% as compared to approximately RMB763.8 million in the corresponding period last year.

Gross Profit and Gross Profit Margin

During the Reporting Period, the Group's gross profit was approximately RMB406.0 million, representing an increase of approximately 17.7% as compared to approximately RMB345.0 million in the corresponding period last year. Gross margin was approximately 35.5% for the Reporting Period, as compared to approximately 31.1% for the corresponding period last year. The increase in gross profit margin was mainly due to the change in product mix of CDMO business during the Reporting Period.

Other Income and Gains

Other income and gains consist primarily of interest income, government grants and subsidies, gain on disposal of right-of-use assets, and gain on modification of Convertible Bonds. During the Reporting Period, the Group recorded other income and gains of approximately RMB45.1 million, representing an increase of approximately 3.9% as compared to approximately RMB43.4 million in the corresponding period last year. The increase was primarily due to an increase in government grants and subsidies of approximately RMB5.0 million.

Selling and Distribution Expenses

Selling and distribution expenses primarily consist of staff cost, amortisation of customer relationship, travelling expenses and others. During the Reporting Period, the Group's selling and distribution expenses were approximately RMB72.4 million, representing an increase of approximately 29.5% as compared to approximately RMB55.9 million in the corresponding period last year. The increase was primarily due to the expansion of our business development team.

Administrative Expenses

Administrative expenses primarily consist of administrative staff costs, audit and consultancy fees, office administration expense, depreciation and others. During the Reporting Period, the Group's administrative expenses were approximately RMB131.4 million, representing a decrease of approximately 7.8% as compared to approximately RMB142.5 million in the corresponding period last year. The decrease primarily reflected the optimization of personnel in the Group.

Research and Development Expenses

R&D expenses mainly consist of labor costs, cost of materials, depreciation and others. During the Reporting Period, the Group's R&D expenses were approximately RMB76.7 million, representing an increase of approximately 87.5% as compared to approximately RMB40.9 million in the corresponding period last year. The increase was primarily due to the continuous investment in R&D and our technology driven platforms.

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

Fair value gains/losses on FVTPL mainly consists of fair value gains/losses from the fair value change of the interests in the Group's incubation portfolio companies.

The Group's EFS model features sharing of the changes in our customers' intellectual property values, which is primarily reflected by the gains/losses from the fair value change of the interest in the Group's incubation portfolio companies. Such fair value gains/losses are recorded as fair value gains/losses on financial assets at FVTPL in the Group's financial statements. As at 30 June, 2023, no individual interests in the Group's incubation portfolio companies accounted for more than 5% of the Group's total assets.

The Group recorded gains arising from fair value change of the interests in the Group's incubation portfolio companies designated at FVTPL of a gain of approximately RMB14.2 million for the Reporting Period, primarily reflecting the increase in the fair value of the Group's interests in certain incubation portfolio companies, as compared to a loss of approximately RMB10.2 million for the corresponding period last year.

Impairment Losses on Financial Assets, Net

Impairment losses under the expected credit model, net of reversal, reflects impairment loss on trade receivables and other receivables. The Group recorded impairment losses of approximately RMB0.60 million for the Reporting Period, as compared to approximately RMB4.9 million of impairment losses for the corresponding period last year.

Finance Costs

Finance costs primarily consists 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 were approximately RMB88.0 million, representing a decrease of approximately 1.2%, as compared to approximately RMB89.1 million for the corresponding period last year.

Fair Value Gains on Financial Liabilities at FVTPL

Fair value gains on financial liabilities at FVTPL represents changes in fair value of the embedded derivative components of the convertible bonds. During the Reporting Period, the Group has fair value changes of the embedded derivative components of the convertible bonds of nil compared to a gain of approximately RMB10.1 million for the corresponding period last year.

Income Tax Expense

The Group's income tax expense was approximately RMB23.1 million, representing an increase of approximately 6.5% from approximately RMB21.7 million for the corresponding period last year. The increase was in line with increased profit before tax.

Net Profit/Loss

As a result of the foregoing, the Group's net profit for the Reporting Period was approximately RMB13.7 million, as compared to a loss of approximately RMB85.2 million for the corresponding period last year.

The adjusted non-IFRS net profit of the Group was approximately RMB146.1 million for the Reporting Period, as compared to an adjusted non-IFRS net profit of approximately RMB89.0 million for the corresponding period last year.

Such a turnaround in net profit and the increase in adjusted non-IFRS net profit of the Group for the Reporting Period were primarily due to (i) investment income from successful exits from certain incubation portfolio companies; and (ii) change in product mix of contract development manufacture organization (CDMO) during the Reporting Period.

Liquidity and Financial Resources

As at June 30, 2023, the Group's total cash and cash equivalents amounted to approximately RMB1,073.6 million, representing an increase of approximately 58.2% as compared to approximately RMB678.6 million as at December 31, 2022. Such increase was primarily due to the partial receipt of advance from the issue of convertible bond of approximately RMB217.5 million and the Group continued to implement measures to speed up the collection of outstanding trade and other receivables during the Reporting Period.

As at June 30, 2023, current assets of the Group amounted to approximately RMB2,171.2 million, including cash and cash equivalents of approximately RMB1,073.6 million. Current liabilities of the Group amounted to approximately RMB3,153.2 million, including bank borrowings of approximately RMB703.3 million.

As at June 30, 2023, the gearing ratio, calculated as total liabilities over total assets, was approximately 55.3%, as compared with approximately 54.5% as at December 31, 2022. As at June 30, 2023, the Group had approximately RMB971.0 million of secured bank borrowings and RMB321.4 million of unsecured bank borrowings, increased by approximately RMB6.1 million as compared to approximately RMB1,286.3 million as at December 31, 2022. Please refer to notes 17 and 18 of the financial information set forth in this announcement for further details of the Group's liquidity and borrowings.

Pledge of Assets

As at June 30, 2023, the building, the right-of-use assets, construction in progress and certain time deposits with a carrying amount of approximately RMB221.6 million, RMB298.8 million, RMB2.9 million and RMB702.1 million, respectively, were pledged to secure certain bank borrowings, letters of credit and notes payable of the Group.

Capital Expenditure, Material Acquisition and Disposal

For the Reporting Period, the Group's capital expenditure amounted to approximately RMB60.3 million, which was mainly used for construction of facilities and equipment purchases, as compared to approximately RMB128.9 million for the corresponding period last year. The Group funded its capital expenditure by using cash flow generated from its operations and financing.

Saved as disclosed in other announcements and circulars published by the Company up to the date of this announcement, the Group did not make any significant investments and did not have material acquisitions or disposals of subsidiaries, associates and joint ventures for the six months ended June 30, 2023.

Contingent Liabilities

The Group had no material contingent liabilities as at June 30, 2023.

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.

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 RMB40.0 million and a net foreign exchange loss of approximately RMB88.1 million for the Reporting Period and the corresponding period last year, 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. We purchased various bank foreign exchange wealth management products to hedge against our exposure to currency risk during the Reporting Period. 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.

FINANCIAL INFORMATION

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended June 30, 2023

	Notes	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
REVENUE	4	1,142,184	1,108,747
Cost of sales		<u>(736,216)</u>	<u>(763,775)</u>
Gross profit		405,968	344,972
Other income and gains	5	45,105	43,397
Selling and distribution expenses		(72,440)	(55,907)
Administrative expenses		(131,396)	(142,499)
Research and development expenses		(76,700)	(40,917)
Fair value gain/(loss) on financial assets at fair value through profit or loss (“FVTPL”)	13	14,218	(10,236)
Impairment losses on financial assets, net		(556)	(4,865)
Other expenses	7	(59,463)	(118,370)
Finance costs	6	(87,984)	(89,099)
PROFIT/(LOSS) BEFORE FAIR VALUE GAIN ON FINANCIAL LIABILITIES AT FVTPL AND TAX		36,752	(73,524)
Fair value gain on financial liabilities at FVTPL	18	<u>–</u>	<u>10,050</u>
PROFIT/(LOSS) BEFORE TAX	8	36,752	(63,474)
Income tax expense	9	(23,093)	(21,746)
PROFIT/(LOSS) FOR THE PERIOD		<u>13,659</u>	<u>(85,220)</u>
Attributable to:			
Owners of the parent		1,013	(91,201)
Non-controlling interests		<u>12,646</u>	<u>5,981</u>
		13,659	(85,220)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	10	RMB	RMB
Basic		<u>0.001</u>	<u>(0.05)</u>
Diluted		<u>0.001</u>	<u>(0.05)</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*For the six months ended June 30, 2023*

	2023 RMB'000 (Unaudited)	2022 <i>RMB'000</i> (Unaudited)
PROFIT/(LOSS) FOR THE PERIOD	<u>13,659</u>	<u>(85,220)</u>
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>23,759</u>	<u>64,058</u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	<u>23,759</u>	<u>64,058</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	<u>37,418</u>	<u>(21,162)</u>
Attributable to:		
Owners of the parent	<u>24,684</u>	<u>(27,252)</u>
Non-controlling interests	<u>12,734</u>	<u>6,090</u>
	<u>37,418</u>	<u>(21,162)</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2023

		June 30, 2023	December 31, 2022
	Notes	RMB'000 (Unaudited)	RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	12	1,479,852	1,501,711
Right-of-use assets		434,788	435,669
Goodwill		2,156,419	2,156,419
Other intangible assets		448,438	476,061
Financial assets at FVTPL	13	1,095,304	1,046,616
Contract assets		4,712	6,425
Rental deposits and prepayments		20,145	27,602
Deferred tax assets		20,152	18,178
Pledged deposits		316,493	313,367
		5,976,303	5,982,048
Total non-current assets			
CURRENT ASSETS			
Inventories		277,506	326,031
Trade and bills receivables	14	345,244	445,969
Contract costs		7,676	8,447
Prepayments, other receivables and other assets		71,112	85,333
Pledged deposits		396,093	394,458
Cash and cash equivalents		1,073,613	678,569
		2,171,244	1,938,807
Total current assets			
CURRENT LIABILITIES			
Trade and bills payables	15	281,398	326,130
Other payables and accruals	16	522,995	326,570
Derivative financial instruments		10,514	17,804
Interest-bearing bank borrowings	17	703,329	405,292
Contract liabilities		43,858	44,244
Lease liabilities		3,644	2,270
Income tax payable		8,906	41,629
Convertible bonds – debt component	18	1,578,600	1,508,618
		3,153,244	2,672,557
Total current liabilities			

		June 30, 2023	December 31, 2022
	<i>Notes</i>	RMB'000 (Unaudited)	<i>RMB'000</i> <i>(Audited)</i>
NET CURRENT LIABILITIES		<u>(982,000)</u>	<u>(733,750)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>4,994,303</u>	<u>5,248,298</u>
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	<i>17</i>	589,054	880,959
Contract liabilities		12,943	25,885
Deferred income		48,226	47,238
Lease liabilities		30,057	25,801
Deferred tax liabilities		87,406	92,201
Other non-current liabilities		<u>586,265</u>	<u>571,500</u>
Total non-current liabilities		<u>1,353,951</u>	<u>1,643,584</u>
Net Assets		<u>3,640,352</u>	<u>3,604,714</u>
EQUITY			
Equity attributable to owners of the parent			
Share capital	<i>19</i>	326	326
Treasury shares	<i>19</i>	(134,651)	(134,651)
Equity component of convertible bonds	<i>18</i>	418,510	426,198
Reserves		<u>3,356,167</u>	<u>3,312,841</u>
Total Equity		<u>3,640,352</u>	<u>3,604,714</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2023

	Attributable to owners of the parent											
	Share capital <i>RMB'000</i>	Treasury shares <i>RMB'000</i>	Share premium <i>RMB'000</i>	Exchange fluctuation reserve <i>RMB'000</i>	Equity component of convertible bonds <i>RMB'000</i>	Share option reserve <i>RMB'000</i>	Other reserve <i>RMB'000</i>	Statutory reserve <i>RMB'000</i>	Accumulated losses <i>RMB'000</i>	Total <i>RMB'000</i>	Non- controlling interests <i>RMB'000</i>	Total equity <i>RMB'000</i>
At January 1, 2023 (audited)	326	(134,651)	3,636,950	(27,427)	426,198	88,263	(206,550)	95,384	(273,779)	3,604,714	-	3,604,714
Profit for the period	-	-	-	-	-	-	-	-	1,013	1,013	12,646	13,659
Other comprehensive income for the period												
Exchange differences related to foreign operations	-	-	-	23,671	-	-	-	-	-	23,671	88	23,759
Total comprehensive income for the period	-	-	-	23,671	-	-	-	-	1,013	24,684	12,734	37,418
Put option over non-controlling interests	-	-	-	-	-	(468)	-	-	-	(468)	(12,734)	(13,202)
Recognition of equity-settled share-based payment	-	-	-	-	11,903	-	-	-	-	11,903	-	11,903
Repurchase of convertible bonds (note 18)	-	-	-	-	(7,688)	-	7,207	-	-	(481)	-	(481)
At June 30, 2023 (unaudited)	<u>326</u>	<u>(134,651)</u>	<u>3,636,950</u>	<u>(3,756)</u>	<u>418,510</u>	<u>100,166</u>	<u>(199,811)</u>	<u>95,384</u>	<u>(272,766)</u>	<u>3,640,352</u>	<u>-</u>	<u>3,640,352</u>

Attributable to owners of the parent

	Share capital <i>RMB'000</i>	Treasury shares <i>RMB'000</i>	Share premium <i>RMB'000</i>	Exchange fluctuation reserve <i>RMB'000</i>	Equity component of				Retained profits <i>RMB'000</i>	Total <i>RMB'000</i>	Non-controlling interests <i>RMB'000</i>	Total equity <i>RMB'000</i>
					Share option reserve <i>RMB'000</i>	Other reserve <i>RMB'000</i>	Statutory reserve <i>RMB'000</i>	Convertible bonds <i>RMB'000</i>				
At January 1, 2022 (audited)	326	(134,651)	3,636,950	(118,861)	468,731	63,446	(352,665)	76,556	273,524	3,913,356	-	3,913,356
Loss for the period	-	-	-	-	-	-	-	-	(91,201)	(91,201)	5,981	(85,220)
Other comprehensive income for the period												
Exchange differences related to foreign operations	-	-	-	63,949	-	-	-	-	-	63,949	109	64,058
Total comprehensive income/(loss) for the period	-	-	-	63,949	-	-	-	-	(91,201)	(27,252)	6,090	(21,162)
Put option over non-controlling interests	-	-	-	-	-	-	(6,513)	-	-	(6,513)	(6,090)	(12,603)
Recognition of equity-settled share-based payment	-	-	-	-	-	9,192	-	-	-	9,192	-	9,192
Modification of convertible bonds (<i>note 18</i>)	-	-	-	-	37,273	-	-	-	-	37,273	-	37,273
Repurchase of convertible bonds (<i>note 18</i>)	-	-	-	-	(10,044)	-	14,695	-	-	4,651	-	4,651
At June 30, 2022 (unaudited)	<u>326</u>	<u>(134,651)</u>	<u>3,636,950</u>	<u>(54,912)</u>	<u>495,960</u>	<u>72,638</u>	<u>(344,483)</u>	<u>76,556</u>	<u>182,323</u>	<u>3,930,707</u>	<u>-</u>	<u>3,930,707</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended June 30, 2023

	Notes	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		36,752	(63,474)
Adjustments for:			
Finance costs	6	87,984	89,099
Interest income	5	(13,344)	(10,913)
Loss on disposal of items of property, plant and equipment	8	19	850
Fair value (gains)/loss, net:			
Derivative financial instruments	8	9,908	21,733
Financial assets at FVTPL	13	(14,218)	10,236
Fair value gain on financial liabilities at FVTPL	18	–	(10,050)
Gain on modification of convertible bonds	18	–	(6,717)
Foreign exchange loss		29,915	98,155
Income from government grants and subsidies related to assets		(5,136)	(2,614)
Revenue from service-for-equity (“SFE”)	4	(8,519)	(26,032)
Equity-settled share-based payment expense		11,903	9,192
Loss on repurchase of convertible bonds		5,133	4,012
Depreciation of property, plant and equipment		75,473	55,750
Depreciation of other intangible assets		27,782	27,745
Depreciation of right-of-use assets		7,007	8,592
Impairment losses under expected credit model, net of reversal	8	556	4,865
Gain on disposal of right-of-use assets	5	–	(79)
		251,215	210,350
Decrease/(increase) in inventories		48,525	(19,622)
Decrease/(increase) in contract costs		771	(2,781)
Decrease/(increase) in trade and bills receivables		83,476	(53,421)
Decrease in other receivables		13,587	18,403
Decrease/(increase) in pledged time deposits for notes payable		1,918	(6,061)
Decrease in trade and bills payables		(44,732)	(3,438)
Increase/(decrease) in other payables		20,333	(7,190)
Decrease in deferred revenue		(175)	–
Increase/(decrease) in contract liabilities		3,365	(519)
Increase in other non-current liabilities		1,563	2
		379,846	135,723
Cash generated from operations		379,846	135,723
Income tax paid		(62,397)	(43,106)
		317,449	92,617
Net cash flows from operating activities		317,449	92,617

	<i>Notes</i>	2023 RMB'000 (Unaudited)	2022 <i>RMB'000</i> (Unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		6,663	5,265
Purchases of items of property, plant and equipment		(101,607)	(136,680)
Purchase of Intangible Asset		(159)	–
Proceeds from disposal of items of property, plant and equipment		270	2
Receipt of government grants and subsidies related to assets		6,298	2,100
Purchase of financial assets at FVTPL		(21,821)	(84,769)
Proceeds from disposal of financial assets at FVTPL		36,129	36,927
Settlement of derivative financial instruments		(17,198)	(2,892)
		<hr/>	<hr/>
Net cash flows used in investing activities		(91,425)	(180,047)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of bank borrowings		(137,257)	(251,383)
Interest paid		(34,689)	(34,793)
Proceeds from bank borrowings		143,390	301,250
Repayment of lease liabilities		(1,460)	(2,781)
Payments of rental deposits		(277)	–
Advance from the issue of convertible bonds		217,488	–
Payment for repurchase of convertible bonds		(46,541)	(28,840)
		<hr/>	<hr/>
Net cash flows from/(used in) financing activities		140,654	(16,547)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
		366,678	(103,977)
Cash and cash equivalents at beginning of period		678,569	800,947
Effect of foreign exchange rate changes, net		28,366	15,225
		<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF PERIOD		1,073,613	712,195
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

June 30, 2023

1. CORPORATE INFORMATION AND BASIS OF PREPARATION

1.1 Corporate information

Viva Biotech Holdings (the “**Company**”) was incorporated in the Cayman Islands as an exempted company with limited liability on August 27, 2008, and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since May 9, 2019. The address of the registered office and the principal place of business of the Company are PO Box 309, Uglan House, Grand Cayman, KYI-1104, Cayman Islands and Room 1901, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong, respectively.

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the “**Group**”) are principally engaged in the following activities:

- providing the structure-based drug discovery services to biotechnology and pharmaceutical customers worldwide for their pre-clinical stage innovative drug development;
- contract development and manufacturing services for small molecule active pharmaceutical ingredients (“**APIs**”) and intermediates and trading of APIs, intermediates and formulations.

1.2 Basis of preparation

The interim condensed consolidated financial information for the six months ended June 30, 2023 has been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended December 31, 2022.

The functional currency of the Company is Renminbi (“**RMB**”), which is the same as the presentation currency of the condensed consolidated financial statements, and all values are rounded to the nearest thousand except when otherwise indicated.

Going concern basis

As of June 30, 2023, the Group had net current liabilities of RMB982,000,000.

1. CORPORATE INFORMATION AND BASIS OF PREPARATION (Continued)

1.2 Basis of preparation (Continued)

In this regard, the directors of the Company have taken a number of initiative to increase the Company's liquidity during the six months ended June 30, 2023, which include the following:

- (i) On June 10, 2023, the Company has entered into bond subscription agreements with certain third party investors for subscription of convertible bonds in the aggregate principal amount of HK\$470 million which may be converted into shares at an initial conversion price of HK\$2.0 per share and the subscription has been completed subsequent to the end of the reporting period, details of which are set out in the announcements of the Company dated June 11 and July 7, 2023;
- (ii) On June 10, 2023, the Company entered into an equity transfer and capital injection agreement with certain third party investors pursuant to which the Company has agreed to transfer equities and accept a cash injection in a subsidiary with a total consideration amounting to approximately RMB1,062.32 million. The equity transfer and capital injection transaction has not been completed as of the date of these financial statements, details of which are set out in the announcements of the Company dated June 11 and July 27, 2023 and the circular of the Company dated August 9, 2023;
- (iii) On June 10, 2023, the Company has entered into a letter of intent with certain senior management of Zhejiang Langhua Pharmaceutical Co., Ltd., a non-wholly owned subsidiary of the Company pursuant to which they shall irrecoverably agree to, within 12 months from the date of execution of the letter at the request of the Company to subscribe for shares at a consideration of HK\$2.0 per share in an aggregate amount of not more than HK\$11.70 million to support the Company's funding need. The Company has yet to enter into a formal share subscription agreement with them as of the date of these financial statements, details of which are set out in the announcement of the Company dated June 11, 2023;
- (iv) The Group has obtained the approval of the back-up facilities amounting to RMB640 million from a financial institution as of August 8, 2023;
- (v) The Group will continue to implement measures to speed up the collection of outstanding trade and other receivables; and
- (vi) 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 June 30, 2023. 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 June 30, 2023. Accordingly, the directors are satisfied that it is appropriate to prepare the interim financial information 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 completion of the equity transfer and capital injection in a subsidiary as announced by the Company on June 10, 2023, as well as successful and timely implementation of other financing plans as contemplated by the Company; and
- (ii) 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 the interim financial information.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2022, except for the adoption of the following revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information.

IFRS 17	<i>Insurance Contracts</i>
Amendments to IFRS 17	<i>Insurance Contracts</i>
Amendment to IFRS 17	<i>Initial Application of IFRS 17 and IFRS – Comparative Information</i>
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to IAS 8	<i>Definition of Accounting Estimates</i>
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to IAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>

The nature and impact of the new and revised IFRSs that are applicable to the Group are described below:

- (a) Amendments to IAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since January 1, 2023. The amendments did not have any impact on the Group's interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.
- (b) Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The adoption of amendments to IAS 12 has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these interim condensed consolidated financial information.
- (d) Amendments to IAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after January 1, 2023 but are not required to disclose such information for any interim periods ending on or before December 31, 2023. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

3. OPERATING SEGMENT INFORMATION

	Drug discovery services RMB'000 (Unaudited)	CDMO and commercialisation services RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Six months ended June 30, 2023			
Segment revenue	441,294	700,890	1,142,184
Segment results	<u>197,840</u>	<u>208,128</u>	<u>405,968</u>
<i>Reconciliation:</i>			
Other income and gains			45,105
Selling and distribution expenses			(72,440)
Administrative expenses			(131,396)
Research and development expenses			(76,700)
Fair value gain on financial assets at FVTPL			14,218
Impairment losses on financial assets, net			(556)
Other expenses			(59,463)
Finance costs			<u>(87,984)</u>
Group's profit before tax			<u><u>36,752</u></u>
Six months ended June 30, 2022			
Segment revenue	406,070	702,677	1,108,747
Segment results	<u>178,853</u>	<u>166,119</u>	<u>344,972</u>
<i>Reconciliation:</i>			
Other income and gains			43,397
Selling and distribution expenses			(55,907)
Administrative expenses			(142,499)
Research and development expenses			(40,917)
Fair value loss on financial assets at FVTPL			(10,236)
Impairment losses on financial assets, net			(4,865)
Other expenses			(118,370)
Finance costs			(89,099)
Fair value gain on financial liabilities at FVTPL			<u>10,050</u>
Group's loss before tax			<u><u>(63,474)</u></u>

4. REVENUE

An analysis of revenue is as follows:

	For six months ended June 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Revenue from contracts with customers	<u>1,142,184</u>	<u>1,108,747</u>

(a) Disaggregated revenue information

For the six months ended June 30, 2023

Segments	Drug discovery services RMB'000 (Unaudited)	CDMO and commercialisation services RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Types of goods or services			
Revenue from non-investees:			
Full-time-equivalent (“FTE”) services	350,177	–	350,177
Fee-for-service (“FFS”) services	72,088	–	72,088
Sale of products	–	686,537	686,537
	<u>422,265</u>	<u>686,537</u>	<u>1,108,802</u>
Revenue from investees:			
FTE services	3,164	–	3,164
FFS services	7,346	–	7,346
SFE services	8,519	–	8,519
Sale of products	–	14,353	14,353
	<u>19,029</u>	<u>14,353</u>	<u>33,382</u>
Total revenue from contracts with customers	<u>441,294</u>	<u>700,890</u>	<u>1,142,184</u>
Geographical markets			
United States of America (“USA”)	331,978	144,144	476,122
European Union	17,510	282,990	300,500
Mainland China	59,588	91,853	151,441
Other Asian countries and regions out of Mainland China	4,744	131,740	136,484
Africa	–	20,117	20,117
Other countries/regions	27,474	30,046	57,520
	<u>441,294</u>	<u>700,890</u>	<u>1,142,184</u>
Total revenue from contracts with customers	<u>441,294</u>	<u>700,890</u>	<u>1,142,184</u>
Timing of revenue recognition			
Goods/services transferred at a point in time	79,434	700,890	780,324
Services transferred over time	361,860	–	361,860
	<u>441,294</u>	<u>700,890</u>	<u>1,142,184</u>
Total revenue from contracts with customers	<u>441,294</u>	<u>700,890</u>	<u>1,142,184</u>

4. REVENUE (Continued)

(a) Disaggregated revenue information (Continued)

For the six months ended June 30, 2022

Segments	Drug discovery services RMB'000 (Unaudited)	CDMO and commercialisation services RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Types of goods or services			
Revenue from non-investees:			
FTE services	302,739	–	302,739
FFS services	55,080	–	55,080
Sale of products	–	701,873	701,873
	357,819	701,873	1,059,692
Revenue from investees:			
FTE services	19,756	–	19,756
FFS services	2,463	–	2,463
SFE services	26,032	–	26,032
Sale of products	–	804	804
	48,251	804	49,055
Total revenue from contracts with customers	406,070	702,677	1,108,747
Geographical markets			
USA	296,517	86,918	383,435
European Union	21,598	232,208	253,806
Mainland China	66,571	127,023	193,594
Other Asian countries and regions out of Mainland China	3,915	162,906	166,821
Africa	–	35,763	35,763
Other countries/regions	17,469	57,859	75,328
	406,070	702,677	1,108,747
Total revenue from contracts with customers	406,070	702,677	1,108,747
Timing of revenue recognition			
Goods/services transferred at a point in time	57,543	702,677	760,220
Services transferred over time	348,527	–	348,527
	406,070	702,677	1,108,747
Total revenue from contracts with customers	406,070	702,677	1,108,747

(b) Information about a major customer

Revenue of approximately RMB268,410,000 during the reporting period 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 (six months ended June 30, 2022: RMB177,198,000).

5. OTHER INCOME AND GAINS

	For the six months ended June 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Interest income		
– banks	13,343	10,889
– imputed interest income on rental deposits	1	24
Government grants and subsidies	30,330	25,388
Gain on disposal of right-of-use assets	–	79
Gain on modification of convertible bonds (note 18)	–	6,717
Others	1,431	300
	<u>45,105</u>	<u>43,397</u>

6. FINANCE COSTS

	For the six months ended June 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Interest on convertible bonds	63,182	67,818
Interest on lease liabilities	701	688
Interest expenses on bank loans	25,875	23,355
	<u>89,758</u>	<u>91,861</u>
Total interest expense	89,758	91,861
Less: Interest capitalized	1,774	2,762
	<u>87,984</u>	<u>89,099</u>

7. OTHER EXPENSES

	For the six months ended June 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Net foreign exchange loss	40,047	88,133
Loss on derivative financial instruments	9,908	21,733
Loss on disposal of property, plant and equipment	19	850
Loss on repurchase of convertible bonds (note 18)	5,133	4,012
Others	4,356	3,642
	<u>59,463</u>	<u>118,370</u>

8. PROFIT/(LOSS) BEFORE TAX

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

	For the six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of inventories sold	459,869	505,769
Cost of services provided	61,394	44,920
Depreciation of property, plant and equipment	75,473	55,750
Depreciation of right-of-use assets	7,270	9,402
Amortisation of other intangible assets	27,782	27,745
Less: capitalised in contract costs	(1,409)	(2,123)
Less: capitalised in inventories	(3,085)	(2,710)
Less: capitalised in property, plant and equipment	(263)	(810)
	<u>105,768</u>	<u>87,254</u>
Staff cost (including directors' emoluments):		
– Salaries and other benefits	305,511	268,526
– Retirement benefit scheme contributions	27,202	23,232
– Share-based payment expenses	11,903	9,192
	<u>344,616</u>	<u>300,950</u>
Less: capitalised in contract costs	(5,001)	(7,321)
Less: capitalised in inventories	(3,325)	(3,030)
	<u>336,290</u>	<u>290,599</u>
Foreign exchange loss, net	40,047	88,133
Fair value loss on derivative financial instruments	9,908	21,733
Impairment losses on financial assets, net	556	4,865
Loss on disposal of items of property, plant and equipment	19	850
Gain on disposal of right-of-use assets	–	(79)
Fair value gain on embedded derivative instruments of convertible bonds	–	(10,050)
Gain on modification of convertible bond	–	(6,717)
Loss on repurchase of convertible bonds	5,133	4,012
Auditors' remuneration	<u>1,200</u>	<u>1,200</u>

9. 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:

	For the six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax	29,674	36,728
Deferred tax	(6,581)	(14,982)
	<u>23,093</u>	<u>21,746</u>

Cayman Islands/British Virgin Islands (“BVI”)

Pursuant to the relevant rules and regulations of the Cayman Islands and the BVI, the Company and the subsidiaries 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% (2022: 16.5%) on the estimated assessable profits arising in Hong Kong during the period, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first Hong Kong Dollars (“HK\$”) 2,000,000 (2022: 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 Mainland China corporate income tax is based on the statutory rate of 25% of the assessable profits of certain Mainland China subsidiaries of the Group as determined in accordance with the Mainland China 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.

Zhejiang Langhua Pharmaceutical Co., Ltd. (“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 [2023] No.12 “Circular of the Ministry of Finance, the State Administration of Taxation Issued on the Further Implementation of Preferential Income Tax Policies for Small Low-profit Enterprises” (財政部稅務總局關於進一步實施小微企業和個體工商戶所得稅優惠政策的公告), 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 25%, 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, 2023 and will expire on December 31, 2027.

9. INCOME TAX (Continued)

Mainland China (Continued)

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、國家稅務總局關於進一步實施小微企業普惠性稅收減免政策的通知), 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.

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 25% from January 1, 2022 to June 30, 2023. The subsidiaries incorporated in Australia are qualified as small business entities and are subject to the lower company income tax rate on the estimated assessable profits.

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%.

United Kingdom

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

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

The calculation of the basic earnings/(loss) per share amount is based on the profit/(loss) for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,915,437,000 (2022: 1,915,437,000) in issue during the period.

The calculation of the diluted earnings per share amounts is based on the profit for the period ended June 30, 2023 attributable to ordinary equity holders of the parent, as used in the basic earnings per share calculation. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period ended June 30, 2023, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to be in issue after taking into account the effect of certain share option issued by the Company. The diluted earnings per share for the period ended June 30, 2023 did not assume the conversion of the convertible bonds nor exercise of certain batch of share options and restricted share units as their inclusion would be anti-dilutive.

The calculation of the diluted loss per share amounts is based on the loss for the period ended June 30, 2022 attributable to ordinary equity holders of the parent, adjusted to reflect the interest on the US\$180,000,000 convertible bonds, fair value gain on the derivative component of the US\$180,000,000 convertible bonds and gain on modification 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 period ended June 30, 2022, as used in the basic loss per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the conversion of US\$180,000,000 convertible bonds into ordinary shares. The diluted loss per share for the period ended June 30, 2022 did not assume the conversion of the US\$280,000,000 convertible bonds nor exercise of all batches of share options and restricted share units as their inclusion would be anti-dilutive.

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

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

	For the six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings/(loss)		
Profit/(loss) attributable to equity holders of the parent, used in the basic and diluted profit/(loss) per share	<u>1,013</u>	<u>(91,201)</u>
Add: Interest on convertible bonds	–	8,963
Less: Fair value gain on the embedded derivative instruments of the convertible bonds	–	(10,050)
Gain on modification of convertible bond	<u>–</u>	<u>(6,717)</u>
Profit/(loss) attributable to ordinary equity holders of the before the impact of convertible bonds	<u><u>1,013</u></u>	<u><u>(99,005)</u></u>
	Number of shares ('000)	
	For the six months ended June 30,	
	2023	2022
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings/(loss) per share calculation	1,915,437	1,915,437
Effect of dilutive potential ordinary shares:		
Share options	1,459	–
Convertible bonds	<u>–</u>	<u>48,672</u>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings/(loss) per share	<u><u>1,916,896</u></u>	<u><u>1,964,109</u></u>

11. DIVIDENDS

The board of directors of the Company did not recommend the distribution of any interim dividend for the six months ended June 30, 2023 (six months ended June 30, 2022: nil).

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended June 30, 2023, the Group acquired property, plant and equipment at a cost of approximately RMB53,902,000 (June 30, 2022: RMB128,896,000).

Assets with a net book value of RMB289,000 were disposed by the Group during the six months ended June 30, 2023 (June 30, 2022: RMB852,000), resulting in a net loss on disposal of RMB19,000 (June 30, 2022: RMB850,000).

13. FINANCIAL ASSETS AT FVTPL

	June 30, 2023 <i>RMB'000</i> (Unaudited)	December 31, 2022 <i>RMB'000</i> (Audited)
Listed equity securities	1,056	1,407
Unlisted investments at FVTPL	<u>1,094,248</u>	<u>1,045,209</u>
	<u>1,095,304</u>	<u>1,046,616</u>
Analysed for reporting purposes as:		
Non-current assets	<u>1,095,304</u>	<u>1,046,616</u>

(a) Investments at FVTPL

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

	<i>RMB'000</i>
At January 1, 2023 (audited)	1,046,616
Acquired	21,821
Recognized from SFE revenue	10,339
Gain on fair value change	14,218
Disposal	(19,129)
Exchange adjustment	21,439
	<u>1,095,304</u>
At June 30, 2023 (unaudited)	
At January 1, 2022 (audited)	1,246,730
Acquired	50,406
Recognized from SFE revenue	27,169
Loss on fair value change	(10,228)
Disposal	(2,572)
Exchange adjustment	32,569
	<u>1,344,074</u>
At June 30, 2022 (unaudited)	

(b) Financial products classified as financial assets at FVTPL

There is no movement in the carrying value of the financial products of FVTPL for the reporting period, and the movements during the six months ended June 30, 2022 are as follows:

	<i>RMB'000</i>
At January 1, 2022 (audited)	–
Acquired	34,363
Loss on fair value change	(8)
Disposal	(34,355)
	<u>–</u>
At June 30, 2022 (unaudited)	

14. TRADE AND BILLS RECEIVABLES

	June 30, 2023 RMB'000 (Unaudited)	December 31, 2022 RMB'000 (Audited)
Trade receivables		
– third parties	345,705	447,610
Bills receivables	15,254	13,483
Impairment	<u>(15,715)</u>	<u>(15,124)</u>
	<u>345,244</u>	<u>445,969</u>

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

	June 30, 2023 RMB'000 (Unaudited)	December 31, 2022 RMB'000 (Audited)
Within 6 months	330,798	428,040
6 months to 1 year	8,467	11,967
1 to 2 years	5,548	5,341
Over 1 years	<u>431</u>	<u>621</u>
	<u>345,244</u>	<u>445,969</u>

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:

	June 30, 2023 RMB'000 (Unaudited)	December 31, 2022 RMB'000 (Audited)
Within 3 months	180,883	227,725
3 months to 1 year	96,547	96,628
Over 1 year	<u>3,968</u>	<u>1,777</u>
	<u>281,398</u>	<u>326,130</u>

16. OTHER PAYABLES AND ACCRUALS

	June 30, 2023 RMB'000 (Unaudited)	December 31, 2022 RMB'000 (Audited)
Other payables		
– Payable for construction in progress	97,256	154,733
– Others	51,715	31,465
– Advance received from investors*	<u>217,488</u>	<u>–</u>
	<u>366,459</u>	<u>186,198</u>
Salary and bonus payables	148,573	123,953
Interest payable	1,768	2,053
Other taxes payable	<u>6,195</u>	<u>14,366</u>
	<u>522,995</u>	<u>326,570</u>

* On June 10, 2023, the Company entered into bond subscription agreements with certain third party investors for subscription of convertible bonds in the aggregated principal amount of HK\$470 million which may be converted into shares at an initial conversion price of HK\$2.0 per share and the subscription has been completed subsequent to the end of the reporting period, details of which are set out in the announcements of the Company dated June 11 and July 7, 2023. As of June 30, 2023, the Company received partial consideration of HK\$240,000,000 (equivalent to approximately RMB217,488,000) from the investors.

17. INTEREST-BEARING BANK BORROWINGS

	June 30, 2023			December 31, 2022		
	Effective interest rate (%)	Maturity	RMB'000 (Unaudited)	Effective interest rate (%)	Maturity	RMB'000 (Audited)
Current						
Bank loans – unsecured	One-year 2.5-4.41	2024	223,531	One-year 2.5-4.41	2023	323,938
	One-year Loan prime rate (“LPR”)-40 Basepoints (“bps”)	2024	12,000	One-year Loan prime rate (“LPR”)-40 Basepoints (“bps”)	2023	29,000
	One-year LPR-10bps	2023	21,000	One-year LPR-10bps	2023	21,000
	One-year LPR-20bps	2023	50,000	–	–	–
Bank loans – secured***	One-year 3.2	2023	50,000	–	–	–
Current portion of long term bank loans – secured*	–	–	–	Eight-year LPR*110%	2023	202
Current portion of long term bank loans – secured*	Five-year LPR+10 bps	2024	17,070	–	–	–
Current portion of long term bank loans – secured and guaranteed**	One-year LPR+50bps	2023/2024	275,000	One-year LPR+50bps	2023	10,000
Current portion of long term bank loans – secured*	One-year LPR-10bps	2023/2024	54,728	One-year LPR-10bps	2023	21,152
			<u>703,329</u>			<u>405,292</u>
Non-current						
Bank loans – secured and guaranteed**	One-year LPR+50 bps	2024-2025	281,000	One-year LPR+50 bps	2024-2025	546,000
Bank loans – unsecured	Three-year LPR	2024-2026	14,900	–	–	–
Bank loans – secured*	Five-year LPR+10 bps	2024-2026	36,484	Five-year LPR+10 bps	2024-2026	43,794
Bank loans – secured*	Five-year LPR+10 bps	2024-2027	46,560	Five-year LPR+10 bps	2024-2027	56,320
Bank loans – secured*	One-year LPR-10 bps	2024-2026	210,110	One-year LPR-10 bps	2024-2026	234,845
			<u>589,054</u>			<u>880,959</u>
			<u>1,292,383</u>			<u>1,286,251</u>

17. INTEREST-BEARING BANK BORROWINGS (Continued)

	June 30, 2023 RMB'000 (Unaudited)	December 31, 2022 RMB'000 (Audited)
Analysed into:		
Bank loans and overdrafts repayable:		
Within one year or on demand	703,329	405,292
In the second year	405,230	608,282
In the third to fifth years, inclusive	183,824	272,677
	<u>1,292,383</u>	<u>1,286,251</u>

* At June 30, 2023, the property, plant and equipment and right-of-use assets with a carrying amount of approximately RMB210,172,000 (December 31, 2022: RMB229,170,000) and RMB198,085,000 (December 31, 2022: RMB200,591,000), respectively, were pledged to secure the bank borrowings of the Group.

** 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 RMB115,067,000 (December 31, 2022: RMB117,203,000) was also pledged as collateral to secure such bank borrowings at June 30, 2023.

*** At June 30, 2023, the bank loan is pledged by a patent of the Group as collateral.

18. CONVERTIBLE BONDS

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

On February 11, 2020, Viva Incubator Investment Management Limited (“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 (the “reset mechanism”).

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.

18. CONVERTIBLE BONDS (Continued)

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

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.

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.

In February 2023, the Group completed the full redemption of its US\$180,000,000 2.50 per cent 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.

On initial recognition, the US\$180,000,000 convertible bonds comprise two components:

- (i) Debt component initially measured at fair value 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 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 transaction costs relating to the derivative components were charged to profit or loss. The 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.

18. CONVERTIBLE BONDS (Continued)

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

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 derecogised 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 <i>RMB'000</i>	Embedded derivative components <i>RMB'000</i>	Equity component <i>RMB'000</i>	Total <i>RMB'000</i>
At December 31, 2022 (audited)	41,568	–	7,688	49,256
Interest charged	420	–	–	420
Repurchase*	(40,927)	–	(7,688)	(48,615)
Exchange adjustments	(1,061)	–	–	(1,061)
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
At June 30, 2023 (unaudited)	–	–	–	–
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
	Debt Component <i>RMB'000</i>	Embedded derivative components <i>RMB'000</i>	Equity component <i>RMB'000</i>	Total <i>RMB'000</i>
At December 31, 2021 (audited)	169,861	53,805	–	223,666
Interest charged	6,369	–	–	6,369
Gain arising on changes of fair value	–	(10,050)	–	(10,050)
Modification	–	(43,990)	37,273	(6,717)
Exchange adjustments	9,167	235	–	9,402
	<u>185,397</u>	<u>–</u>	<u>37,273</u>	<u>222,670</u>
At June 30, 2022 (unaudited)	185,397	–	37,273	222,670

* On February 11, 2023, an aggregate principal amount of US\$6,600,000 convertible bonds were repurchased by Viva Incubator HK at a total consideration of US\$6,912,000 (equivalent to RMB46,541,000). 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\$740,000 (equivalent to RMB5,133,000). 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 liability was recognised in equity, which was US\$1,064,000 (equivalent to RMB7,207,000).

No conversion of the convertible bonds has occurred during the reporting period.

18. CONVERTIBLE BONDS (Continued)

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

On December 30, 2020, Viva Biotech Investment Management Limited (“**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 December 30, 2023, the bondholders would have the right to ask Viva Biotech BVI to redeem all or some of bonds at 103.08% of its principal amount, together with interest accrued but unpaid to but excluding such date.

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 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 was assigned as the equity component and included in shareholders’ equity.

18. CONVERTIBLE BONDS (Continued)

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

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

	Debt component <i>RMB'000</i>	Equity component <i>RMB'000</i>	Total <i>RMB'000</i>
At December 31, 2022 (audited)	1,467,050	418,510	1,885,560
Interest charged	54,230	–	54,230
Exchange adjustments	57,320	–	57,320
	<hr/>	<hr/>	<hr/>
At June 30, 2023 (unaudited)	1,578,600	418,510	1,997,110
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At December 31, 2021 (audited)	1,399,554	468,731	1,868,285
Interest charged	49,945	–	49,945
Repurchase	(29,870)	(10,044)	(39,914)
Exchange adjustments	73,619	–	73,619
	<hr/>	<hr/>	<hr/>
At June 30, 2022 (unaudited)	1,493,248	458,687	1,951,935
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

No conversion or redemption of the convertible bonds has occurred during the reporting period.

19. SHARE CAPITAL/TREASURY SHARES

Shares

	June 30, 2023 <i>RMB'000</i> (Unaudited)	December 31, 2022 <i>RMB'000</i> (Audited)
Issued and fully paid:		
1,935,036,805 shares of US\$0.000025 each (December 31, 2022: 1,935,036,805 shares of US\$0.000025 each) ordinary shares	326	326
	<hr/> <hr/>	<hr/> <hr/>

Treasury shares

	Numbers of shares repurchased	Treasury shares <i>RMB'000</i>
At December 31, 2022 (audited) and June 30, 2023 (unaudited)	19,600,000	134,651
	<hr/> <hr/>	<hr/> <hr/>

20. RELATED PARTY TRANSACTIONS

(1) Names and relationships with related parties

The Group had no material transaction or balance with related parties during the period.

(2) Compensation of key management personnel of the Group

	For the six months ended June 30,	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Short-term employee benefits	9,196	7,357
Pension scheme contributions	58	77
Equity-settled share-based payment	4,090	5,148
	<u>13,344</u>	<u>12,582</u>

21. CAPITAL COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	June 30,	December 31,
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Contracted, but not provided for:		
Investment in Viva Biotech Chengdu New Drug Incubation and Biologics Production Research & Development Center	110,898	68,522
Acquisition of property, plant and equipment	233,859	241,245
Unlisted investments at FVTPL	7,226	16,965
	<u>351,983</u>	<u>326,732</u>

22. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that are reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	At June 30, 2023 RMB'000 (Unaudited)	At December 31, 2022 RMB'000 (Audited)	At June 30, 2023 RMB'000 (Unaudited)	At December 31, 2022 RMB'000 (Audited)
Financial assets				
Financial assets at FVTPL	<u>1,095,304</u>	<u>1,046,616</u>	<u>1,095,304</u>	<u>1,046,616</u>
Financial liabilities				
Convertible bonds – debt component	<u>1,578,600</u>	1,508,618	<u>1,793,487</u>	1,711,390
Derivative financial instruments	<u>10,514</u>	<u>17,804</u>	<u>10,514</u>	<u>17,804</u>
	<u>1,589,114</u>	<u>1,526,422</u>	<u>1,804,001</u>	<u>1,729,194</u>

The fair values of the non-current portion of interest-bearing bank have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The differences between the carrying amounts and fair values of the non-current portion of the interest-bearing bank were assessed to be insignificant. The changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank as at 30 June 2023 were assessed to be insignificant.

The Group's financial assets and financial liabilities at FVTPL which are measured at fair value at June 30, 2023 and December 31, 2022 are grouped under Level 1, Level 2 and Level 3 hierarchy. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (the valuation techniques and inputs used in particular).

22. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Financial instruments	Valuation techniques	Significant unobservable inputs	Range	Sensitivity of fair value to the input
Financial assets				
Listed equity securities	Active market quoted transaction price	N/A	N/A	N/A
Financial products	Discounted cash flow method	N/A	N/A	N/A
Derivative financial instruments	Discounted cash flow method	N/A	N/A	N/A
Unlisted investment at FVTPL	Most recent transaction price	N/A	N/A	N/A
	Comparable company method	The ratio of P/R&D	1.6-4.9 (December 31, 2022: 2.2-4.9)	10% (December 31, 2022: 10%) increase/decrease in multiple would result in increase/decrease in fair value by RMB39,305,000 (December 31, 2022: RMB40,380,000)
	Backsolve from most recent transaction price	IPO probability	20% to 50% (December 31, 2022: 20% to 55%)	5% (December 31, 2022: 5%) increase/decrease in multiple would result in decrease/increase in fair value by RMB4,229,000 (December 31, 2022: RMB4,965,000)
	Discounted cash flow method	Conversion probability	20% to 25% (December 31, 2022: 20% to 30%)	5% (December 31, 2022: 5%) increase/decrease in multiple would result in increase/decrease in fair value by RMB1,030,000 (December 31, 2022: RMB993,000)
Financial liabilities				
Derivative financial instruments	Discounted cash flow method	N/A	N/A	N/A

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at June 30, 2023

	Fair value measurement using			Total RMB'000 (Unaudited)
	Quoted prices in active markets (Level 1) RMB'000 (Unaudited)	Significant observable inputs (Level 2) RMB'000 (Unaudited)	Significant unobservable inputs (Level 3) RMB'000 (Unaudited)	
Listed equity securities	1,056	–	–	1,056
Unlisted investment at FVTPL	–	92,719	1,001,529	1,094,248
	<u>1,056</u>	<u>92,719</u>	<u>1,001,529</u>	<u>1,095,304</u>

22. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy (Continued)

Assets measured at fair value: (Continued)

As at December 31, 2022

	Fair value measurement using			Total RMB'000 (Audited)
	Quoted prices in active markets (Level 1) RMB'000 (Audited)	Significant observable inputs (Level 2) RMB'000 (Audited)	Significant unobservable inputs (Level 3) RMB'000 (Audited)	
Listed equity securities	1,407	–	–	1,407
Unlisted investment at FVTPL	–	56,174	989,035	1,045,209
	<u>1,407</u>	<u>56,174</u>	<u>989,035</u>	<u>1,046,616</u>

Liabilities measured at fair value:

As at June 30, 2023

	Fair value measurement using			Total RMB'000 (Unaudited)
	Quoted prices in active markets (Level 1) RMB'000 (Unaudited)	Significant observable inputs (Level 2) RMB'000 (Unaudited)	Significant unobservable inputs (Level 3) RMB'000 (Unaudited)	
Derivative financial instruments	–	10,514	–	10,514

As at December 31, 2022

	Fair value measurement using			Total RMB'000 (Audited)
	Quoted prices in active markets (Level 1) RMB'000 (Audited)	Significant observable inputs (Level 2) RMB'000 (Audited)	Significant unobservable inputs (Level 3) RMB'000 (Audited)	
Derivative financial instruments	–	17,804	–	17,804

23. SUBSEQUENT EVENTS

Except as disclosed elsewhere in the interim financial information, the Group has the following significant events subsequent to June 30, 2023:

- a. In June 2023, the Group announced to issue new convertible bonds in an aggregate principal amount of HK\$470,000,000 at the initial conversion price of HK\$2.0 per conversion share. In July 2023, the bond subscription was completed and the convertible bonds in the aggregate principal amount of HK\$470,000,000 have been issued to the investors in accordance with the terms and conditions thereof, details of which are set out in the announcements of the Company dated June 11 and July 7, 2023.
- b. An extraordinary general meeting of the Company was held on August 25, 2023 and an ordinary resolution to approve the major transaction of deemed disposal of equity interest in a subsidiary was passed by the Shareholders. Further details of the transaction are set out in the circular of the Company dated August 9, 2023.

OTHER INFORMATION

EXTRACT OF REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The following is an extract of report on review of interim condensed consolidated financial information for the Reporting Period issued by the Group's independent auditor:

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Material Uncertainty Related to Going Concern

We draw attention to note 1.2 to the interim financial information which indicates that the Group had net current liabilities of RMB982,000,000. This condition, as set forth in note 1.2, indicates the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. Our review conclusion is not modified in respect of this matter.

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 June 30, 2023, the details of intended application of net proceeds are set out as follow:

	Approximate % of total net proceeds	Planned use of actual net proceeds <i>RMB'million</i>	Proceeds		Utilized net proceeds up to June 30, 2023 <i>RMB'million</i>	Proceeds utilized for the six months ended June 30, 2023 <i>RMB'million</i>	Utilized net proceeds up to June 30, 2023 <i>RMB'million</i>	Proceeds unused as of June 30, 2023 ⁽²⁾ <i>RMB'million</i>	Expected timeline for utilizing the remaining balance of net proceeds from the global offering ⁽³⁾
			Utilized net proceeds up to December 31, 2022 ⁽¹⁾ <i>RMB'million</i>	utilized for the six months ended June 30, 2023 <i>RMB'million</i>					
Expanding EFS model	30%	365.13	303.20	7.35	310.55	54.58	Expected to be fully utilized by December 31, 2023		
Building up commercial & research manufacturing capabilities and capacities in contract manufacturing organization ("CMO")	30%	365.13	352.09	6.33	358.42	6.71	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:

- As disclosed in the Prospectus, the estimated net proceeds from the listing, 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.
- As at June 30, 2023, net proceeds not yet utilized were deposited with certain licensed banks in Hong Kong or the PRC in either HK\$, US\$ or RMB and the amount presented may vary based on the prevailing exchange rate.
- 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 US\$180 million 2.50 per cent guaranteed convertible bonds (the “**February 2025 Convertible Bonds**”). 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 approximately RMB1,256.0 million), and had been utilized as follows as at June 30, 2023:

Business objective as stated in the offering circular	Percentage of total net proceeds	Planned use of actual net proceeds <i>RMB'million</i>	Utilized net	Proceeds	Utilized	Proceeds unused as of June 30, 2023 ⁽¹⁾ <i>RMB'million</i>	Expected timeline for utilizing the remaining balance of net proceeds ⁽²⁾
			proceeds up to December 31, 2022 <i>RMB'million</i>	utilized for the six months ended June 30, 2023 <i>RMB'million</i>	net proceeds up to June 30, 2023 <i>RMB'million</i>		
Business development and expansion	70%	879.19	718.75	17.38	736.13	143.06	Expected to be fully utilized by December 31, 2023
Working capital and general corporate purposes	30%	376.80	376.80	-	376.80	-	-

On February 28, 2023, all outstanding February 2025 Convertible Bonds have been fully redeemed. The February 2025 Convertible Bonds were withdrawn from listing on the Stock Exchange on March 7, 2023.

Notes:

1. As at June 30, 2023, net proceeds not yet utilized were deposited with certain licensed banks in Hong Kong or the PRC in either HK\$, US\$ or RMB and the amount presented may vary based on the prevailing exchange rate.
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.

On December 30, 2020, Viva Biotech BVI issued the US\$280 million 1.00 per cent guaranteed convertible bonds (the “**December 2025 Convertible Bonds**”, together with the February 2025 Convertible Bonds, the “**Convertible Bonds**”). The net proceeds, after deducting the transaction cost of US\$4.2 million (equivalent to approximately RMB27.5 million), were US\$275.8 million (equivalent to approximately RMB1,801.6 million), and had been utilized as follows as at June 30, 2023:

Business objective as stated in the offering circular	Percentage of total net proceeds	Planned use of actual net proceeds	Proceeds		Utilized net proceeds up to June 30, 2023	Proceeds utilized for the month ended June 30, 2023	Utilized net proceeds up to June 30, 2023	Proceeds unused as of June 30, 2023 ⁽¹⁾	Expected timeline for utilizing the remaining balance of net proceeds ⁽²⁾
			RMB'million	RMB'million					
Business development and expansion including refinancing of the acquisition cost of 80% of equity interest in Langhua Pharmaceutical	90%	1,621.4	1,015.08	21.94	1,037.02	584.38	Expected to be fully utilized by December 31, 2023		
Other working capital and general corporate purposes	10%	180.2	180.2	-	-	-	-		

Notes:

1. As at June 30, 2023, net proceeds not yet utilized were deposited with certain licensed banks in Hong Kong or the PRC in either HK\$, US\$ or RMB and the amount presented may vary based on the prevailing exchange rate.
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.

Interim dividend

The Board does not recommend the distribution of an interim dividend for the six months ended June 30, 2023 (six months ended June 30, 2022: NIL).

Purchase, Sale or Redemption of the Company's Listed Securities

On February 11, 2023, the bondholders of February 2025 Convertible Bonds holding an aggregate principal amount of US\$6,600,000 of the February 2025 Convertible Bonds, representing approximately 3.7% of the aggregate principal amount of the February 2025 Convertible Bonds originally issued, have exercised their option to require the Issuer to redeem all their February 2025 Convertible Bonds on 11 February 2023 at 104.73% of the principal amount, together with interest accrued but unpaid to (but excluding) such date.

All outstanding February 2025 Convertible Bonds have been fully redeemed and were withdrawn from listing on the Stock Exchange on March 7, 2023. For more information, please refer to the Company's announcement dated February 28, 2023. Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

Subsequent Event

Except as disclosed elsewhere in the interim financial information, the Group has the following significant events subsequent to June 30, 2023:

- a. Completion of the Bond Subscription Agreements has taken place on July 7, 2023 and the convertible bonds in the aggregate principal amount of HK\$470 million have been issued to the CB Investors in accordance with the terms and conditions thereof. Please refer to the Company's announcement dated July 7, 2023.
- b. An extraordinary general meeting of the Company was held on August 25, 2023 and an ordinary resolution to approve the major transaction in relation to the deemed disposal of equity interest in a subsidiary was passed by the Shareholders. Further details of the transaction are set out in the circular of the Company dated August 9, 2023.

Employee Remuneration and Relations

As at June 30, 2023, the Group had a total of 2,271 employees and the total staff costs for the Reporting Period (including directors' emoluments) were RMB336.3 million. 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 has been stable. 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.

Share Incentive Schemes

The Group has adopted certain pre-IPO share incentive schemes (the “**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 or employees of the Group. As at June 30, 2023, an aggregate of 3,665,141 outstanding share options were exercisable under the Pre-IPO Share Incentive Schemes. As at June 30, 2023, 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 further adopted a post-IPO share option scheme (the “**Post-IPO Share Option Scheme**”) on April 14, 2019. During the Reporting Period, no options were granted pursuant to the Post-IPO Share Option Scheme.

The Group further adopted a restricted share unit scheme (the “**Restricted Share Unit Scheme**”) on June 5, 2020. 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 restricted share unit was awarded under the Restricted Share Unit Scheme.

Corporate Governance Practices

The Company recognizes the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of its shareholders as a whole. The Company has adopted the code provisions as set out in the Corporate Governance Code (the “**CG Code**”) as contained in Appendix 14 to the Listing Rules, as its own code to govern its corporate governance practices.

Under the code provision C.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Under the current organization structure of the Company, Mr. Mao Chen Cheney (“**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, allows 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 six months ended June 30, 2023, the Company has complied with the code provisions as set out in Part 2 of the CG Code.

The Board will continue to review and monitor the practices of the Company with an aim of maintaining a high standard of corporate governance.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding dealings in the securities of the Company by the Directors and the Group’s senior management who, because of his/her office or employment, is likely to possess inside information in relation to the Company or its securities.

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

REVIEW OF FINANCIAL INFORMATION

Audit Committee

The audit committee of the Company, comprising Ms. Li Xiangrong, Mr. Wang Haiguang and Mr. Fu Lei, has discussed with the management and reviewed the unaudited interim financial information of the Group for the Reporting Period.

In addition, the Company's external auditor, Ernst & Young, has performed an independent review of the Group's interim financial information for the Reporting Period in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". Based on their review, Ernst & Young confirmed that nothing has come to their attention that causes them to believe that the condensed consolidated interim financial information for the Reporting Period is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement is published on the website of the Stock Exchange at www.hkexnews.hk and on the website of the Company at www.vivabiotech.com. The interim report of the Company for the Reporting Period containing all the information required by the Listing Rules will be dispatched to shareholders of the Company and published on the above 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.

By order of the Board
Viva Biotech Holdings
Mao Chen Cheney
Chairman and Chief Executive Officer

Hong Kong, August 29, 2023

As at the date of this announcement, the Board comprises Mr. Mao Chen Cheney, Mr. Wu Ying and Mr. Ren Delin as executive directors; Mr. Wu Yuting as a non-executive director; and Mr. Fu Lei, Ms. Li Xiangrong and Mr. Wang Haiguang as independent non-executive directors.