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VIVA BIOTECH HOLDINGS

维亚生物科技控股集团

(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, 2019

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 consolidated financial results of the Group for the six months ended June 30, 2019 (the “**Reporting Period**”).

FINANCIAL HIGHLIGHTS

	Unaudited Six months ended June 30,		
	2019	2018	Change
	RMB million	RMB million	
Revenue	142.3	77.4	83.9%
Gross Profit	71.9	42.3	70.0%
Gross Profit Margin	50.5%	54.7%	
Net Profit	46.5	50.8	-8.5%
Net Profit Margin	32.7%	65.6%	
Adjusted Non-IFRS Net Profit	98.6	66.9	47.4%
Adjusted Non-IFRS Net Profit Margin	69.3%	86.5%	
	RMB	RMB	
Earnings per share			
– Basic	0.04	0.05	-20.0%
–Diluted	0.03	0.04	-25.0%
Adjusted Non-IFRS Earnings per share			
– Basic	0.08	0.06	33.3%
– Diluted	0.07	0.06	16.7%
The Board has resolved to declare an interim dividend of HK\$0.005 per share for the six months ended June 30, 2019.			

NON-IFRS MEASURE

To supplement the Group's condensed consolidated financial statements which are presented in accordance with the IFRS, the Company has provided adjusted Non-IFRS net profit, adjusted Non-IFRS net profit margin, and adjusted Non-IFRS earnings per share (excluding Listing expenses and fair value loss on financial liabilities at FVTPL) 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 and non-recurring items that the Group does not consider indicative of the performance of the Group's business. However, the presentation of these non-IFRS financial measures is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with the IFRS. You should not view the adjusted results on a stand-alone basis or as a substitute for results under the IFRS.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Upholding the mission of becoming a cradle for promising biotechnology startups around the world, the Group operates a leading structure-based early stage drug discovery platform, and a systemic, scientific and modularized incubation platform with strong technical barriers. The Group has developed a scalable business model combining the conventional CFS (cash-for service) model under which the Group receives cash service fees from our non-investee customers, and the unique EFS (equity-for-service) model. Under the EFS model, the Group provides drug discovery and/or incubation services to selected customers and promising biotechnology companies in which the Group has invested in exchange for equity or economic interests in them. During the Reporting Period, the CFS business model continuously contributed steady cash flows to the Group. With respect to the EFS business model, the Group continued to cooperate with top scientists and biotechnology startups with high growth potential worldwide and expanded its incubation portfolio. The Group's revenue increased significantly from approximately RMB77.4 million for the corresponding period last year to approximately RMB142.3 million for the Reporting Period, representing a year-on-year increase of 83.9%, while the Group's net profit excluding extraordinary profit or loss increased from approximately RMB66.9 million for the corresponding period last year to approximately RMB98.6 million for the Reporting Period, representing a year-on-year increase of 47.4%.

CFS business model

Leveraging the Group's leading technology platforms and premium services, the Group has established a sound reputation among peers and cultivated a diverse and growing quality customer base. Revenue from the CFS business segment increased significantly from approximately RMB61.2 million for the corresponding period last year to approximately RMB105.4 million for the Reporting Period, representing a year-on-year increase of 72.2%. Revenue generated from repeat customers accounted for 82.7% of the total revenue from the CFS business segment during the Reporting Period. The increase in the revenue of CFS business was primarily attributable to increases in the number of quality customers and customer orders. As of June 30, 2019, the Group had a total of 243 customer orders with total contract value amounting to approximately RMB207 million, representing an increase of approximately 59.0% from the total contract value of customer orders as of June 30, 2018. Total revenue contributed by top ten customers increased from approximately RMB39.7 million for the six months ended June 30, 2018 to approximately RMB64.7 million for the Reporting Period, representing a year-on-year increase of 63%, while total revenue contributed by top ten customers as a percentage of the Group's total revenue decreased from 51.3% for the six months ended June 30, 2018 to 45.5% for the Reporting Period. Such changes reflected increasing demand from and investment in research and development ("R&D") by our quality and core customers, as well as the diversification of our customer base.

As at June 30, 2019, the Group had provided drug discovery services to more than 388 biotechnology and pharmaceutical customers worldwide and delivered over 11,000 independent protein structures.

EFS business model

Revenue from the EFS business segment increased significantly from approximately RMB16.2 million for the corresponding period last year to approximately RMB36.9 million for the Reporting Period, representing a year-on-year increase of 127.8%. During the Reporting Period, the Group actively explored opportunities to identify suitable investees and customers through the EFS model in participating in scientific meetings, industry events, and by enhancing cooperation with research institutions, angel investors, incubators and venture capitals in the global biopharmaceutical field, with greater focus on bio-macromolecule, gene and cell therapy.

During the Reporting Period, the Group added 10 startups to its incubation portfolio and made additional investment in two of its existing incubation portfolio companies. Among the 10 new incubation portfolio companies, six were added after April 15, 2019, being the latest practicable date in the prospectus dated April 25, 2019 with respect to the global offering (the “**Global Offering**”) of the shares of the Company, the details of which are set forth below:

No.	Company Name	Type	Time of investment/ incubation agreement	Indications/ Primary Technology/Business	Shareholding % received as at the date of this announcement
1	Versachem, Inc	EFS	2019/05	First-in-class small molecule drug therapeutic for acute and recent Spinal Cord Injury (SCI)	23.17%
2	Bright Angel Therapeutics, Inc.	EFS	2019/06	Focusing on tackling the problem of resistance to current antifungal therapies via the development of new drugs for infectious diseases	0%*
3	Mebias Discovery, Inc.	EFS	2019/06	Developing a platform to discover novel biased GPCR drugs with an improved therapeutic index	5.23%
4	Proviva Therapeutics, Inc.	EFS	2019/06	A pro-cytokine (Zitokine) fusion protein platform, for the treatment of cancer and infectious diseases	10.95%
5	Panacea Biotherapeutics Inc.	EFS	2019/06	Developing innovative ferroptosis inducer drugs with novel structures for sensitization/combination of anticancer drugs	0%*
6	AcuraStem, Inc.	Strategic investment	2019/06	First-in-class drug discovery to cure Neurodegenerative Diseases including Lou Gehrig’s Disease (ALS) and Frontotemporal Dementia (FTD)	0%*

* *pending agreed service milestones, closing of transaction or conversion of convertible instruments (as the case may be) to receive shareholding interest in relevant incubation portfolio company.*

None of these investments constituted 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**”).

Technology platforms and facilities

During the Reporting Period, the Group continued to strengthen its core technology platforms, including structure-based drug discovery (**SBDD**) platform, fragment-based drug discovery (**FBDD**) platform, affinity selection mass spectrum (**ASMS**) screening platform and membrane protein targeted drug discovery platform. In particular, the ASMS screening platform was well recognized by the Group's customers because it can accommodate a wide selection of screening formats and conditions, and is fast, flexible, label-free, high throughput and more cost effective when compared to other screening technologies. During the Reporting Period, the number of customer orders increased by 400% from the corresponding period last year, which was primarily due to growing demands from customers.

As at June 30, 2019, the Group had 22 patents and 4 pending patent applications in the PRC and the United States of America ("USA").

In the first half of 2019, the gross floor area of the Group's laboratories located in Shanghai Zhangjiang High-Tech Park increased by approximately 5,000 sq.m. and was in equipment debugging stage as at the date of this announcement.

Scientist team and business partners

Our business partners play a leading role in our incubation program as they assist us in the screening of potential candidates, advise us on the due diligence of the incubation projects, advise our incubation portfolio companies on their research and development activities, and supervise our incubation portfolio. In the first half of 2019, the Group continued to attract top scientists from both the PRC and overseas to join as business partners. As at June 30, 2019, the Group had 20 business partners, who had excellent achievements in their respective field. Leveraging their foresight and R&D experience in various therapeutic areas and innovative drugs of our management team and key business partners, we can effectively evaluate potential incubation targets and strengthen technology barriers in our R&D activities.

Future Outlook

Continued growth in the global patented drug market and emergence of innovative biotechnology companies serve as key drivers of the drug development outsourcing market. China is also setting the stage for innovative drug R&D and attracting global capital. Driven by multiple positive factors including technology upgrading, talent accumulation and policy guidance, the pharmaceutical industry in China is heading towards a transitional phase featuring “independent innovation” and “products of utmost importance”. Leveraging our R&D services in early stage drug development and incubation for startups focusing on innovative drugs, the Group is able to access high quality customers and startups with high growth potential. The Company will seek to actively establish and improve technology barriers, enhance operating efficiency, reinforce talent recruitment, optimize the capabilities of technology platforms and incubation platforms and integrate internal and external resources, so as to establish an ecosystem of cooperation and mutual benefit.

Actively Improving Capabilities of Technology Platforms and Incubation Platform

In terms of technology platforms, the Group takes the initiative in building new technology platforms such as Cryo-SEM and HDX MS, and is also committed to further expanding in technology fields such as new drug discovery in terms of bio-macromolecules and biological detection. The Group is actively looking for opportunities to cooperate with relevant research institutes and downstream service companies in drug R&D on the development of such technical areas. The Group believes that improvement in technology platforms will help expand its cooperation with existing customers and attract new customers on a continuous basis. The Group plans to continuously optimize and improve the scalability and sustainability of EFS model and enhance the capability of its incubation platform. With support from the Group’s CFS business model, the Group will be able to participate in and accelerate research and development progress of its incubation portfolio companies, and advise the portfolio companies on strategy formulation and commercialization.

“Service + Capital” Multi-dimensional Layout Alongside with Industry Chain Integration

The Group strives to form a multi-domain, multi-channel, asset-light industrial chain layout and a whole-industrial-chain investment platform. The Company strives to maintain a high degree of stickiness of customers and incubation portfolio companies, build an open cooperation platform for global biopharmaceuticals innovators, and establish an ecosystem composed of scientists, biotechnology startups, large pharmaceutical enterprises, research institutes, investment institutions, academic institutions, clinical institutions, hospitals and other industry participants.

Discussion of Result of Operation

Revenue

The Group's revenue in the Reporting Period was approximately RMB142.3 million, representing an increase of 83.9% as compared to approximately RMB77.4 million in the corresponding period last year, primarily reflecting the Group's business growth.

During the Reporting Period, revenue generated from the Group's CFS and EFS models reflected revenue generated from services to our non-investee and investee customers, respectively. The following table sets forth a breakdown of the Group's revenue by respective charge models during the Reporting Period and the corresponding period last year.

	Six months ended June 30,	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue from services to non-investees (CFS model):		
– Full-time-equivalent (“FTE”)	79,781	46,583
– Fee-for-service (“FFS”)	25,620	14,643
	105,401	61,226
Revenue from services to investees (EFS model):		
– FTE	12,330	2,311
– FFS	270	1,174
– Service-for-equity (“SFE”)	24,340	12,671
	36,940	16,156
	142,341	77,382

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. 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,	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue		
– USA	119,545	68,598
– PRC	22,135	8,566
– Europe	391	116
– Rest of the world	270	102
	142,341	77,382

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

Cost of Services

Cost of services 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 for our R&D talents, excluding the costs allocated to research and development expenses, as well as those capitalized in contract costs. Cost of services in the Reporting Period was approximately RMB70.5 million, representing an increase of 100.9% as compared to approximately RMB35.1 million in the corresponding period last year. The increase was in line with the Group's business growth.

Gross Profit and Gross Profit Margin

During the Reporting Period, the Group's gross profit was approximately RMB71.9 million, representing an increase of 70.0% as compared to approximately RMB42.3 million in the corresponding period last year. The increase was in line with the Group's business growth. Gross margin was 50.5% for the Reporting Period, as compared to 54.7% for the corresponding period last year. The decrease was primarily due to an increase in labor costs as a result of increase in the number of R&D personnel.

Other Income

Other income consists of government grants and subsidies and interest income. The Group's other income was approximately RMB8.7 million for the Reporting Period, representing an increase of 521.4% as compared to approximately RMB1.4 million in the corresponding period last year. The increase was primarily due to an increase in interest income as a result of an increase in cash and cash equivalents.

Other Gains and Losses

Other gains and losses consist primarily of net foreign exchange gain or loss, loss on disposal of property, plant and equipment, gain on deemed disposal of interest in an associate, gain on deemed disposal of interests in a joint venture and others. During the Reporting Period, the Group's other gains and losses was approximately RMB25.5 million, representing an increase of 61.4% as compared to approximately RMB15.8 million in the corresponding period last year. The increase was primarily due to an approximately RMB11.1 million increase in net foreign exchange gain.

Research and Development Expenses

Research and development expenses mainly consist of labor costs, cost of materials, overhead costs and fees paid to third parties that conduct certain research and development activities on our behalf. During the Reporting Period, the Group's research and development expenses were approximately RMB15.6 million, representing an increase of 40.5% as compared to approximately RMB11.1 million in the corresponding period last year. The increase was primarily due to an increase in the number of R&D personnel.

Selling and Marketing Expenses

Selling and marketing expenses primarily consists of staff cost, travelling expenses and others. During the Reporting Period, the Group's selling and marketing expenses were approximately RMB1.8 million, representing a slight decrease of by 14.3% as compared to approximately RMB2.1 million in the corresponding period last year. The decrease was primarily due to a decrease in third-party consulting fee.

Administrative Expenses

Administrative expenses primarily consists of administrative staff costs, audit and consultancy fees, office administration expense, rental, depreciation, travelling and transportation expenses and others. During the Reporting Period, the Group's administrative expenses were approximately RMB22.4 million, representing an increase of 119.6% as compared to approximately RMB10.2 million in the corresponding period last year. The increase primarily reflected expansion of the Group's incubation team and an increase in rental in relation to the headquarter.

Listing Expenses

Listing expenses reflected professional service fees related to the Global Offering and the listing of the Company. The Group recorded listing expenses of approximately RMB17.9 million for the Reporting Period, as compared to approximately RMB11.6 million for the corresponding period last year.

Fair Value Gain on Financial Assets at Fair Value through Profit or Loss (“FVTPL”)

The Group’s EFS model features sharing of the upside of our customers’ IP values, which is primarily reflected by the gains from the fair value change of the equity interest in the Group’s incubation portfolio companies. Such fair value gains are recorded as FVTPL in the Group’s financial statements. The Group has engaged Valuelink, an independent professional appraisal firm, to assess and determine the fair value of our financial assets as at June 30, 2018 and 2019.

The Group recorded gains arising from financial assets designated at FVTPL of approximately RMB48.2 million for the Reporting Period, primarily reflecting the increase in the fair value of the Group’s equity interest in three incubation portfolio companies, Anji Pharmaceuticals, Inc., Weimou Biotech (Shanghai) Ltd. and Liangzhun (Shanghai) Industrial Co., Ltd., as compared to approximately RMB41.5 million for the corresponding period last year, primarily reflecting the increase in fair value of the Group’s equity interest in two incubation portfolio companies, Epican Technology Limited and Anji Pharmaceuticals, Inc..

Impairment Losses under Expected Credit Model, Net of Reversal

Impairment losses under expected credit model, net of reversal reflects impairment loss on trade receivables. The Group recorded impairment losses of approximately RMB1.3 million for the Reporting Period, as compared to approximately RMB18.0 thousand of impairment losses reversed for the corresponding period last year.

Share of Loss of Associates

For the Reporting Period, the Group recorded share of loss of associates of approximately RMB34.0 thousand, as compared to approximately RMB1.2 million for the corresponding period last year. The decrease primarily represented the Group’s decreased share of loss in two of its incubation portfolio companies, QureBio Limited and Shanghai Yinglaiteng Medical Research Ltd.

Share of Loss of Joint Ventures

For the Reporting Period, the Group recorded share of loss of joint ventures of approximately RMB1.0 million, as compared to approximately RMB28.0 thousand for the corresponding period last year. The increase primarily represented the Group’s increased share of loss in one of its incubation portfolio companies, Jiaxing Youbo Biotech Co., Ltd.

Finance Cost

Finance cost primarily consists of interest expenses on loans from banks and related parties. For the Reporting Period, the Group’s finance cost was approximately RMB872.0 thousand, representing an increase of 78.3%, as compared to approximately RMB489.0 thousand for the corresponding period last year. The increase was mainly due to an approximately RMB0.8 million increase in rental interest payment as the Group applied IFRS 16 for the first time in the Reporting Period.

Fair Value Loss on Financial Liabilities at FVTPL

Fair value loss on financial liabilities at FVTPL represents changes in fair value of the series B convertible redeemable preferred shares (the “**Series B Preferred Shares**”) in connection with the Company’s pre-IPO financing. For the Reporting Period, the Group recorded fair value loss on financial liabilities at FVTPL of approximately RMB34.2 million, as compared to approximately RMB4.5 million for the corresponding period last year.

Income Tax Expense

The Group’s income tax expense was approximately RMB12.7 million, representing an increase of 42.7% from approximately RMB8.9 million for the corresponding period last year. In addition, our effective income tax rate increased from 14.9% for the six months ended June 30, 2018 to 21.4% for the six months ended June 30, 2019, primarily due to an increase in expenses not deductible for tax purposes.

Net Profit and Net Profit Margin

As a result of the foregoing, the Group’s net profit for the Reporting Period was approximately RMB46.5 million, representing a decrease of 8.5% as compared to RMB50.8 million for the corresponding period last year. Our net profit margin decreased from 65.7% for the six months ended June 30, 2018 to 32.7% for the six months ended June 30, 2019, primarily due to increase in fair value loss of the Series B Preferred Shares.

The Non-IFRS net profit of the Group increased 47.4% to approximately RMB98.6 million for the Reporting Period from approximately RMB66.9 million for the corresponding period last year. The Non-IFRS net profit margin of the Group for the Reporting Period was 86.5%, compared to 69.3% for the corresponding period last year. The lower adjusted Non-IFRS net profit margin of the Group for the Reporting Period was primarily due to the rapid growth in our revenue, the decrease in gross profit margin and the increase in the administrative expenses.

Liquidity and Financial Resources

As at June 30, 2019, the Group’s total cash and cash equivalents amounted to approximately RMB1,249.3 million, representing an increase of 702.9% as compared to approximately RMB155.6 million as at June 30, 2018. Such increase was primarily attributable to the proceeds from the Global Offering. The Group maintains a strong cash position to meet potential needs for business expansion and development.

As at June 30, 2019, the Group had approximately RMB2.12 million of secured and unguaranteed bank loans, all of which will be due in April 2023. As at June 30, 2019, the Group did not have any unutilized banking facilities. The Group intends to finance the expansion, investments and business operations with proceeds from the Global Offering and internal resources.

Significant Investment, Material Acquisitions and Disposals

Saved as disclosed in this announcement and the Prospectus, the Group did not make any material acquisitions or disposals of subsidiaries, associated companies or joint ventures and significant investment during the Reporting Period.

Pledge of Assets

As at June 30, 2019, the building with a carrying amount of approximately RMB5.5 million was pledged to secure borrowings of the Group.

Capital Expenditure

For the Reporting Period, the Group's capital expenditure amounted to approximately RMB15.1 million, which was mainly used for construction of facilities and equipment purchases, as compared to approximately RMB7.2 million for the corresponding period last year. The Group funded its capital expenditure by using cash flow generated from its operations.

Contingent Liabilities

The Group had no material contingent liabilities as at June 30, 2019.

Future Plan for Material Investment and Capital Assets

Save as disclosed in this announcement and the Prospectus, 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 gain of approximately RMB15.5 million and approximately RMB4.5 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 did not use any derivative contracts to hedge against our exposure to currency risk during the Reporting Period and up to the date of this announcement. Management will continue to evaluate the Group's foreign exchange risk and take actions as appropriate to minimise the Group's exposure whenever necessary.

FINANCIAL INFORMATION

Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended June 30, 2019

		Six months ended June 30,	
		2019	2018
	NOTES	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	3	142,341	77,382
Cost of services		<u>(70,450)</u>	<u>(35,095)</u>
Gross profit		71,891	42,287
Other income	4	8,713	1,381
Other gains and losses	5	25,482	15,821
Research and development expenses		(15,616)	(11,123)
Selling and marketing expenses		(1,837)	(2,147)
Administrative expenses		(22,359)	(10,159)
Listing expenses		(17,909)	(11,614)
Fair value gain on financial assets at fair value through profit or loss (“FVTPL”)	14	48,168	41,464
Impairment losses under expected credit model, net of reversal	17	(1,324)	18
Share of loss of associates		(34)	(1,219)
Share of loss of joint ventures		(909)	(28)
Finance cost	6	<u>(872)</u>	<u>(489)</u>
Profit before fair value loss on financial liabilities at FVTPL and tax		93,394	64,192
Fair value loss on financial liabilities at FVTPL	19	<u>(34,238)</u>	<u>(4,511)</u>
Profit before tax	7	59,156	59,681
Income tax expense	8	<u>(12,660)</u>	<u>(8,875)</u>
Profit and total comprehensive income for the period		<u>46,496</u>	<u>50,806</u>
Earnings per share	9	RMB	RMB
– Basic		<u>0.04</u>	<u>0.05</u>
– Diluted		<u>0.03</u>	<u>0.04</u>

Interim Condensed Consolidated Statement of Financial Position

As at June 30, 2019

		June 30, 2019 RMB'000 (Unaudited)	December 31, 2018 RMB'000 (Audited)
	NOTES		
Non-Current Assets			
Property, plant and equipment	11	74,553	66,899
Right-of-use assets	11	49,353	–
Interests in associates	12	3	2,675
Interests in joint ventures	13	5,193	2,602
Financial assets at FVTPL	14	338,114	204,740
Contract assets		8,016	3,368
Rental deposits and prepayments		9,924	6,872
Deferred tax assets	15	2,418	1,013
		<u>487,574</u>	<u>288,169</u>
Current Assets			
Inventories		5,199	4,900
Contract costs		8,746	4,261
Trade and other receivables	16	55,159	68,410
Restricted bank balances		5,899	8,045
Cash and cash equivalents		1,249,279	155,554
		<u>1,324,282</u>	<u>241,170</u>
Current Liabilities			
Trade and other payables	18	30,606	25,578
Contract liabilities		2,103	1,483
Income tax payable		12,161	14,904
Bank borrowings		511	497
Lease liabilities		21,856	–
		<u>67,237</u>	<u>42,462</u>
Net Current Assets		<u>1,257,045</u>	<u>198,708</u>
Total Assets Less Current Liabilities		<u>1,744,619</u>	<u>486,877</u>

		June 30, 2019	December 31,
	<i>NOTES</i>	RMB'000	2018
		(Unaudited)	RMB'000
			(Audited)
Non-Current Liabilities			
Bank borrowings		1,606	1,865
Lease liabilities		30,126	—
Deferred income		11,155	9,849
Financial liabilities at FVTPL	<i>19</i>	—	220,600
Deferred tax liabilities	<i>15</i>	8,363	3,121
		51,250	235,435
Net Assets		1,693,369	251,442
Capital and Reserves			
Share capital	<i>20</i>	267	164
Reserves		1,693,102	251,278
Total Equity		1,693,369	251,442

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended June 30, 2019

1. GENERAL INFORMATION, GROUP REORGANIZATION AND BASIS OF PREPARATION AND PRESENTATION OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1.1 General Information

Viva Biotech Holdings 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 Stock Exchange since May 9, 2019 (the “**Listing Date**”). At the date of the issuance of these condensed consolidated financial statements, the ultimate controlling party of the Company is Mr. Mao Chen Cheney.

The Company is an investment holding company. The Group is principally engaged in providing the structure-based drug discovery services to biotechnology and pharmaceutical customers worldwide for their pre-clinical stage innovative drug development.

1.2 Basis of preparation

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” issued by the International Accounting Standards Board (“**IASB**”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange.

The functional currency of the Company is Renminbi (“**RMB**”), which is the same as the presentation currency of the condensed consolidated financial statements.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values.

Other than changes in accounting policies resulting from application of new and amendments to International Financial Reporting Standards (“**IFRSs**”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2019 are the same as those followed in the preparation of the Group’s financial statements for the year ended December 31, 2018 underlying the preparation of historical financial information included in the Accountants’ Report presented in the prospectus of the Company dated April 25, 2019.

Application of new and amendments to IFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to IFRSs issued by IASB which are mandatory effective for the annual period beginning on or after January 1, 2019 for the preparation of the Group’s condensed consolidated financial statements:

IFRS 16	Leases
IFRIC 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRSs	Annual Improvements to IFRSs 2015-2017 Cycle

Except as described below, the application of the new and amendments to IFRSs in the current period 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 condensed consolidated financial statements.

2.1 Impacts and changes in accounting policies of application on IFRS 16 Leases

The Group has applied IFRS 16 for the first time in the current interim period. IFRS 16 superseded IAS 17 Leases (“IAS 17”), and the related interpretations.

2.1.1 Key changes in accounting policies resulting from application of IFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of IFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Non-lease components are separated from lease component on the basis of their relative stand-alone prices.

Short-term leases

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

Right-of-use assets

Except for short-term leases, the Group recognizes right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the condensed consolidated statement of financial position.

Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 *Financial Instruments* (“**IFRS 9**”) and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognizes and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognizes the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognized at initial recognition and over the lease terms due to application of the initial recognition exemption.

2.1.2 Transition and summary of effects arising from initial application of IFRS 16

Definition of a lease

The Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after January 1, 2019, the Group applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied IFRS 16 retrospectively with the cumulative effect recognized at the date of initial application, January 1, 2019. Any difference at the date of initial application is recognized in the opening retained earnings and comparative information has not been restated.

When applying the modified retrospective approach under IFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under IAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. relied on the assessment of whether leases are onerous by applying IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;
- ii. elected not to recognize right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application; and
- iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application.

On transition, the Group has made the following adjustments upon application of IFRS 16:

As at January 1, 2019, the Group recognized additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid lease payments by applying IFRS 16.C8(b)(ii) transition.

The Group recognized lease liabilities of RMB15,177,000 (unaudited) and right-of-use assets of RMB16,388,000 (unaudited) at January 1, 2019.

When recognizing the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rates applied is 5.23%.

	At January 1, 2019 <i>RMB'000</i> (Unaudited)
Operating lease commitments disclosed at December 31, 2018	19,412
Lease liabilities discounted at relevant incremental borrowing rates	16,664
Less: Recognition exemption – short-term leases	1,487
Lease liabilities at January 1, 2019	<u>15,177</u>
Analyzed as	
Current	4,643
Non-current	10,534
	<u>15,177</u>

The carrying amount of right-of-use assets at January 1, 2019 comprises the following:

	Right-of-use assets <i>RMB'000</i> (Unaudited)
	<i>Notes</i>
Right-of-use assets relating to operating leases recognized upon application of IFRS 16	15,177
Reclassified from operating lease prepayment	(a) 1,009
Adjustments on rental deposits at January 1, 2019	(b) 202
Total	<u>16,388</u>
By class:	
Land and buildings	<u>16,388</u>

Notes:

- (a) Operating lease prepayments were classified as trade and other receivables at December 31, 2018. Upon application of IFRS 16, such prepayments amounting to RMB1,009,000 are reclassified to right-of-use assets.
- (b) Before the application of IFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which IAS 17 applied. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. Accordingly, RMB202,000 was adjusted to refundable rental deposits paid and right-of-use assets.

There is no impact of transition to IFRS 16 on retained earnings at January 1, 2019.

The following adjustments were made to the amounts recognized in the condensed consolidated statement of financial position at January 1, 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at December 31, 2018 RMB'000 (Audited)	Adjustments RMB'000 (Unaudited)	Carrying amounts under IFRS 16 at January 1, 2019 RMB'000 (Unaudited)
Non-current Assets			
Right-of-use assets	–	16,388	16,388
Rental deposits and prepayments	6,872	(202)	6,670
Current Assets			
Trade and other receivables	68,410	(1,009)	67,401
Current Liabilities			
Lease liabilities	–	4,643	4,643
Non-current liabilities			
Lease liabilities	–	10,534	10,534

Note: For the purpose of reporting cash flows from operating activities under indirect method for the six months ended June 30, 2019, movements in working capital have been computed based on opening statement of financial position as at January 1, 2019 as disclosed above.

2.2 Significant changes in significant judgements and key sources of estimation uncertainty

Determination on lease term of contracts with renewal options

The Group applies judgement to determine the lease term for lease contracts in which it is a lessee that include renewal option. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognized.

3. REVENUE AND SEGMENT INFORMATION

Disaggregation of revenue

The following amounts represent revenue arising from providing research services under the three charge methods to third parties and investees of the Group. The investees of the Group includes associates, joint ventures and companies that the Group has investments in (carry in the condensed consolidated financial statements as financial assets at FVTPL).

	Six months ended June 30,	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Revenue from services to non-investees:		
– FTE	79,781	46,583
– FFS	25,620	14,643
	<u>105,401</u>	<u>61,226</u>
Revenue from services to investees:		
– FTE	12,330	2,311
– FFS	270	1,174
– SFE	24,340	12,671
	<u>36,940</u>	<u>16,156</u>
	<u>142,341</u>	<u>77,382</u>

Timing of revenue recognition

The following amounts represent revenue arising from providing research services over time and at a point in time:

Over time

	Six months ended June 30,	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Revenue from FTE	92,111	48,894
Revenue from SFE	24,340	12,671
	<u>116,451</u>	<u>61,565</u>

At a point in time

	Six months ended June 30,	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Revenue from FFS	25,890	15,817

For the purpose of resources allocation and performance assessment, the chief operating decision maker (i.e. the chief executive officer of the Group) reviews the overall results and financial position of the Group as a whole prepared based on the same accounting policies. Accordingly, the Group has only one reportable segment and no further analysis of this single segment is present.

Geographical Information

Substantially all of the Group's operations and non-current assets are located in the PRC. An analysis of the Group's revenue from external customers, analyzed by their respective country/region of operation, is detailed below:

	Six months ended June 30,	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue		
– USA	119,545	68,598
– PRC	22,135	8,566
– Europe	391	116
– Rest of the world	270	102
	<u>142,341</u>	<u>77,382</u>

Information about major customers

Revenue from customers contributing over 10% of the total revenue of the Group during the reporting period is follows:

	Six months ended June 30,	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Customer A	<u>17,541</u>	<u>–</u>

4. OTHER INCOME

	Six months ended June 30,	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest income		
– banks	6,919	55
– imputed interest income on rental deposits	76	–
Government grants and subsidies related to		
– Assets (i)	1,194	473
– Income (ii)	524	853
	<u>8,713</u>	<u>1,381</u>

Notes:

- (i) The Group has received certain government grants related to assets to invest in laboratory equipment and plant. The grants related to assets were recorded in deferred income and recognized in profit or loss over the useful lives of the relevant assets after the relevant conditions are met.
- (ii) Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period upon actual receipt.

5. OTHER GAINS AND LOSSES

	Six months ended June 30,	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net foreign exchange gain	15,552	4,458
Loss on disposal of property, plant and equipment	(13)	(7)
Gain on deemed disposal of interests in an associate	9,892	–
Gain on deemed disposal of interests in a joint venture	–	11,355
Others	51	15
	<u>25,482</u>	<u>15,821</u>

6. FINANCE COST

	Six months ended June 30,	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on		
– Bank borrowings	61	75
– Loans from related parties (Note 24)	–	414
Interest on lease liabilities	811	–
	<u>872</u>	<u>489</u>

7. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	Six months ended June 30,	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	7,461	4,286
Depreciation of right-of-use assets	6,759	–
Less: capitalized in contract costs	969	646
	<u>13,251</u>	<u>3,640</u>
Staff cost (including directors' emoluments):		
– Salaries and other benefits	54,914	27,156
– Retirement benefit scheme contributions	8,112	4,588
– Share-based payment expenses	4,323	4,113
	<u>67,349</u>	<u>35,857</u>
Less: capitalized in contract costs	4,235	4,121
	<u>63,114</u>	<u>31,736</u>
Auditors' remuneration	900	2,029
Minimum operating lease payment in respect of rented premises	–	4,172
Lease payment in respect of short-term leases	1,534	–
Cost of inventories recognized as expense	12,232	8,787

8. INCOME TAX EXPENSE

	Six months ended June 30,	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax:		
– PRC Enterprise Income Tax (“EIT”)	7,048	5,841
– HK Profit Tax	1,775	917
	<u>8,823</u>	<u>6,758</u>
Deferred tax:		
– Current period	3,837	2,117
	<u>12,660</u>	<u>8,875</u>

Hong Kong Profits Tax for the Hong Kong subsidiaries is calculated at 16.5% of the estimated assessable profit for the period before April 1, 2018. On March 21, 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “**Bill**”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on March 28, 2018 and was gazette on the following day. Under the two-tiered profits tax rates regime, the first Hong Kong Dollar (“**HK\$**”) \$2 million of profits of qualifying corporations will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The two-tiered profits tax rates regime is applicable to the Group for its annual reporting periods ending on or after April 1, 2018.

Under the Law of the PRC on Enterprise Income Tax (the “**EIT Law**”) and Implementation Regulation of the EIT Law, the EIT rate of the PRC subsidiaries is 25% unless subject to tax exemption set out below.

Viva Biotech (Shanghai) Ltd. (“**Viva Biotech Shanghai**”) has renewed its “High and New Technology Enterprise” accreditation in November 2016. The qualification as a High and New Technology Enterprise is subject to review by the relevant tax authority in the PRC for every three years, and therefore, Viva Biotech Shanghai entitle to a preferential EIT rate of 15% for the six month period ended June 30, 2018. As of the date of the issuance of these condensed consolidated financial statements, the renewal of the accreditation is in process and management of the Group expects the renewal will be completed before December 31, 2019. As such, the estimated EIT rate of Viva Biotech Shanghai for the six month period ended June 30, 2019 is 15%.

9. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	Six months ended June 30,	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings:		
Earnings for the purpose of calculating basic and diluted earnings per share	<u>46,496</u>	<u>50,806</u>
Number of Shares ('000):		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	1,211,633	1,083,749
Effect of dilutive potential ordinary shares:		
Pre-IPO Share Incentive Schemes of the Company	<u>119,303</u>	<u>94,732</u>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<u>1,330,936</u>	<u>1,178,481</u>

The computation of basic earnings per share for six months ended June 30, 2019 is based on weighted average number of shares assumed to be in issue after taking into account the retrospective adjustment of the Share Split and the Capitalization Issue. The computation of basic earnings per share for six months ended June 30, 2018 is based on weighted average number of shares assumed to be in issue after taking into account the retrospective adjustment of the Share Split and the Capitalization Issue and the 71,917,810 subscription shares subscribed in 2018 as disclosed in Note 20.

The computation of diluted earnings per share for the six months ended June 30, 2019 and 2018 is based on weighted average number of shares assumed to be in issue after taking into account of the Pre-IPO Share Incentive Schemes of the Company and the retrospective adjustment of the Share Split and the Capitalization Issue and the 71,917,810 subscription shares subscribed in 2018 as disclosed in Note 20. The diluted earnings per share for the six months ended June 30, 2019 and 2018 did not assume conversion of the Series B Preferred Shares as their inclusion would be anti-dilutive, nor the exercise of certain options granted under the Pre-IPO Share Incentive Schemes as the exercise price of those options was higher than the average fair value for shares of the Company during the six months ended June 30, 2019 and 2018.

The computation of diluted earnings per share in current period does not assume the exercise of the Company's over-allotment options granted pursuant to the listing of the Company's shares on the Stock Exchange as the exercise price of the options was higher than the average market price for the shares during the outstanding period.

10. DIVIDENDS

During the six months ended June 30, 2019, a special dividend of RMB120,747,000 was declared and paid to ordinary shareholders listed on the register of members on March 24, 2019, being the date one month prior to the commencement of the international offering and the Hong Kong public offering of the Company (together the "Global Offering") (six months ended June 30, 2018: Nil).

Subsequent to the end of the current interim period, the directors of the Company have determined that an interim dividend of HK\$0.005 per share for the six months ended June 30, 2019 (six months ended June 30, 2018: Nil) will be paid to the shareholders of the Company whose names appear on the Register of Members on September 13, 2019.

11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

During the six months ended June 30, 2019, the Group acquired plant and equipment of approximately RMB15,136,000 (six months ended June 30, 2018: RMB7,156,000) for the expansion of research and development capacity.

During the six months ended June 30, 2019, the Group entered into new lease agreements for the use of buildings for 2 to 3 years. The Group is required to make fixed payments every three months. On lease commencement, the Group recognized RMB41,346,000 of right-of-use assets and RMB40,867,000 of lease liabilities. In addition, the Group terminated a lease agreement for the use of building for 3 years. On the termination date, the Group derecognized RMB1,622,000 of right-of-use assets and RMB1,723,000 of lease liabilities.

12. INTERESTS IN ASSOCIATES

	At June 30, 2019 RMB'000 (Unaudited)	At December 31, 2018 RMB'000 (Audited)
Cost of investment in associates, unlisted	1,143	4,640
Share of post-acquisition losses	(1,140)	(1,965)
	<u>3</u>	<u>2,675</u>

In March 2019, the ownership interest held by the Group in QureBio Limited was diluted by the investments from new investors and the Group relinquished its right to appoint director in the board of directors of QureBio Limited. Therefore, the Group was no longer able to exercise significant influence on QureBio Limited and the investment in QureBio Limited is subsequently classified as investment in unlisted equity instrument at FVTPL. The Group recognized a gain on the deemed disposal of interests in an associate of RMB9,892,000 (Note 5).

13. INTERESTS IN JOINT VENTURES

	At June 30, 2019 <i>RMB'000</i> (Unaudited)	At December 31, 2018 <i>RMB'000</i> (Audited)
Cost of investment in joint ventures, unlisted	7,000	3,500
Share of post-acquisition losses	(1,807)	(898)
	<u>5,193</u>	<u>2,602</u>

14. FINANCIAL ASSETS AT FVTPL

	At June 30, 2019 <i>RMB'000</i> (Unaudited)	At December 31, 2018 <i>RMB'000</i> (Audited)
Unlisted equity investment at FVTPL	<u>338,114</u>	<u>204,740</u>

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

	<i>RMB'000</i>
At January 1, 2018 (Audited)	71,059
Acquired	8,596
Recognized from SFE revenue	12,405
Recognized from deemed disposal of a joint venture	12,589
Gain on fair value change	41,464
Disposal	<u>(19,189)</u>
At June 30, 2018 (Unaudited)	126,924
Acquired	86,570
Recognized from SFE revenue	8,320
Gain on fair value change	26,822
Disposal	<u>(43,896)</u>
At December 31, 2018 (Audited)	204,740
Acquired	52,981
Recognized from SFE revenue	19,692
Recognized from deemed disposal of an associate	12,533
Gain on fair value change	<u>48,168</u>
At June 30, 2019 (Unaudited)	<u>338,114</u>

15. DEFERRED TAX ASSETS/LIABILITIES

For the purpose of presentation in the condensed consolidated statements of financial position, certain deferred tax assets and liabilities have been offset. The following is a summary of the deferred tax balances for financial reporting purposes:

	At June 30, 2019 RMB'000 (Unaudited)	At December 31, 2018 RMB'000 (Audited)
Deferred tax assets	2,418	1,013
Deferred tax liabilities	(8,363)	(3,121)
	<u>(5,945)</u>	<u>(2,108)</u>

The following are the major deferred tax assets (liabilities) recognized and movements thereon during the current and previous interim periods and the year ended December 31, 2018:

	Impairment losses on financial assets at amortized cost RMB'000	Deferred income RMB'000	Tax losses RMB'000	Accrued payroll RMB'000	Share of loss of associates and joint ventures RMB'000	Accelerated tax depreciation RMB'000	Fair value change of financial assets at FVTPL RMB'000	Total RMB'000
At January 1, 2018 (Audited)	167	1,610	1	940	1,100	(1,869)	(405)	1,544
(Charged) credited to profit or loss	(3)	(73)	236	(129)	(695)	(380)	(1,073)	(2,117)
At June 30, 2018 (Unaudited)	164	1,537	237	811	405	(2,249)	(1,478)	(573)
(Charged) credited to profit or loss	(30)	3	745	(51)	138	(2,304)	(36)	(1,535)
At December 31, 2018 (Audited)	134	1,540	982	760	543	(4,553)	(1,514)	(2,108)
Credited (charged) to profit or loss	79	194	3,402	928	13	(808)	(7,645)	(3,837)
At June 30, 2019 (Unaudited)	<u>213</u>	<u>1,734</u>	<u>4,384</u>	<u>1,688</u>	<u>556</u>	<u>(5,361)</u>	<u>(9,159)</u>	<u>(5,945)</u>

16. TRADE AND OTHER RECEIVABLES

	At June 30, 2019 RMB'000 (Unaudited)	At December 31, 2018 RMB'000 (Audited)
Trade receivables		
– related parties (Note 24)	1,387	1,921
– third parties	45,300	50,433
Allowance for impairment loss	(1,419)	(893)
	<u>45,268</u>	<u>51,461</u>
Other receivables		
– third parties	<u>3,451</u>	<u>2,112</u>
Deferred issue costs	–	6,724
Prepayments	553	525
Prepaid expenses	2,332	2,908
Value added tax recoverable	<u>3,555</u>	<u>4,680</u>
	<u>6,440</u>	<u>14,837</u>
Total trade and other receivables	<u>55,159</u>	<u>68,410</u>

The Group allows a credit period ranging from 30 to 90 days to its customers. The following is an age analysis of trade receivables (net of allowance for impairment loss) presented based on the invoice dates, at the end of each reporting period:

	At June 30, 2019 RMB'000 (Unaudited)	At December 31, 2018 RMB'000 (Audited)
Within 3 months	34,308	46,580
3 months to 1 year	10,889	4,810
1-2 years	<u>71</u>	<u>71</u>
	<u>45,268</u>	<u>51,461</u>

17. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS SUBJECT TO ECL MODEL

	Six months ended June 30, 2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Impairment loss recognized (reversed) in respect of trade receivables	<u>1,324</u>	<u>(18)</u>

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended June 30, 2019 are the same as those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2018.

18. TRADE AND OTHER PAYABLES

	At June 30, 2019 RMB'000 (Unaudited)	At December 31, 2018 RMB'000 (Audited)
Trade payables	3,969	4,685
Other payables	6,237	3,124
Accrued listing expenses and issue costs	6,713	11,516
Salary and bonus payables	13,392	5,902
Other taxes payable	295	351
	<u>30,606</u>	<u>25,578</u>

Payment terms with suppliers are mainly on credit within 30 days from the time when the goods and/or services are received from the suppliers. The following is an age analysis of trade payables presented based on the date of receipts of goods/ services by the Group, at the end of each reporting period:

	At June 30, 2019 RMB'000 (Unaudited)	At December 31, 2018 RMB'000 (Audited)
Within 3 months	2,201	3,398
3 months to 1 year	1,692	697
Over 1 year	76	590
	<u>3,969</u>	<u>4,685</u>

19. FINANCIAL LIABILITIES AT FVTPL

On June 21, 2018, the Company issued 16,233,532 Series B redeemable convertible preferred shares at a par value of US\$0.0001 each (the “**Series B Preferred Shares**”) for a total consideration of US\$30,900,000 (equivalent to approximately RMB199,942,000).

On April 14, 2019, each Series B Preferred Share of a par value of US\$0.0001 was subdivided into 4 shares of a par value of US\$0.000025 each.

All the Series B Preferred Shares were automatically converted to ordinary shares upon the Global Offering on May 9, 2019. The difference between the par value and the offer price of HK\$4.41 per share of the Global Offering is accounted for under the share premium.

Presentation and classification

The Company have designated the Series B Preferred Shares as whole as financial liabilities carried at FVTPL. The change in fair value of the Series B Preferred Shares is charged to profit or loss except for the portion attributable to credit risk change of the Series B Preferred Shares that shall be charged to other comprehensive income, if any. The net gain or loss recognized in profit or loss includes any interest paid on the financial liabilities and is included in fair value loss on financial liabilities at FVTPL line item. Management of the Group considered that there is no credit risk of the financial liability drives the change of the fair value of the financial liabilities.

The fair value of the Series B Preferred Shares at the end of each reporting period is as follows:

	<i>RMB'000</i>
At January 1, 2018 (Audited)	–
Issuance of Series B Preferred Shares	199,942
Change in fair value	<u>4,511</u>
At June 30, 2018 (Unaudited)	204,453
Change in fair value	<u>16,147</u>
At January 1, 2019 (Audited)	220,600
Change in fair value	34,238
Distribution to the Series B Preferred Shares	(7,939)
Automatic conversion to ordinary shares upon the Global Offering	<u>(246,899)</u>
At June 30, 2019 (Unaudited)	<u><u>–</u></u>

20. SHARE CAPITAL

	Authorized number of shares	US\$
Ordinary shares		
At January 1, 2018 (Audited), of US\$0.0001 each	500,000,000	50,000
Reclassification and re-designation on issuance of Series B Preferred Shares, of US\$0.0001 each	<u>(16,233,532)</u>	<u>(1,623)</u>
At June 30, 2018 (Unaudited), December 31, 2018 (Audited) and January 1, 2019 (Audited), of US\$0.0001 each	483,766,468	48,377
Share Split (<i>Note ii</i>), of US\$0.000025 each	1,451,299,404	–
Automatic conversion of Series B Preferred Shares of US\$0.000025 each upon Global Offering	<u>64,934,128</u>	<u>1,623</u>
At June 30, 2019 (Unaudited), of US\$0.000025 each	<u><u>2,000,000,000</u></u>	<u><u>50,000</u></u>

	Issued and fully paid number of shares	US\$	Shown in the consolidated statements of financial position as RMB'000
Ordinary shares			
At January 1, 2018 (Audited), of US\$0.0001 each	175,000,000	17,500	120
Ordinary shares issued (<i>Note i</i>), of US\$0.0001 each	71,917,810	7,200	44
At June 30, 2018 (Unaudited), and December 31, 2018 (Audited), of US\$0.0001 each	246,917,810	24,700	164
Share Split, of US\$0.000025 each	740,753,430	–	–
Automatic conversion of Series B Preferred Shares upon Global Offering (<i>Note 19</i>), of US\$0.000025 each	64,934,128	1,623	11
Shares issued pursuant to Capitalization Issue (<i>Note iii</i>), of US\$0.000025 each	102,394,632	2,560	17
Shares issued upon Global Offering (<i>Note iv</i>), of US\$0.000025 each	345,000,000	8,625	59
Exercise of over-allotment option (<i>Note v</i>), of US\$0.000025 each	7,281,000	182	1
Exercise of share options (<i>Note 21</i>), of US\$0.000025 each	88,901,398	2,222	15
At June 30, 2019 (Unaudited), of US\$0.000025 each	1,596,182,398	39,912	267

Notes:

- (i) Pursuant to the resolution of shareholders' meeting dated April 12, 2015, the existing ordinary shareholders would subscribe 71,917,810 ordinary shares of the Company at a price of US\$0.0765 per share with a total cash consideration of US\$5,500,000 (equivalent to RMB33,705,000). This capital contribution obligation was satisfied by the ordinary shareholders through payment on behalf of the Company for the redemption of the Series A1 Preferred Shares of the Company on April 25, 2015. On March 28, 2018, the Company issued the 71,917,810 ordinary shares to the relevant shareholders.
- (ii) Pursuant to a shareholders' resolution passed on April 14, 2019, the authorized share capital of the Company was split on a 1-to-4 basis and as a result, the par value was changed from US\$0.0001 per each share to US\$0.000025 per each share and the authorized share capital of US\$50,000.00 of the Company was divided into (1) 1,935,065,872 ordinary shares of US\$0.000025 per each share; and (2) 64,934,128 Series B Preferred Shares which were subsequently converted into the same amount of ordinary shares of US\$0.000025 per each upon Global Offering (the "Share Split").
- (iii) Pursuant to a shareholders' resolution passed on April 14, 2019, a total of 102,394,632 shares credited as fully paid at par were allotted and issued on the Listing Date to both ordinary and preferred shareholders on the register of members of the Company at the close of business on the business day preceding the Listing Date, in proportion to their respective shareholdings in the Company by way of capitalization of the sum of US\$2,559.87. The shares allotted and issued pursuant to this resolution (the "Capitalization Issue") rank pari passu in all respects with the then existing issued shares of the Company.
- (iv) On May 9, 2019, the Company issued a total of 345,000,000 ordinary shares of US\$0.000025 each at the price of HK\$4.41 per share by means of Global Offering.
- (v) On June 4, 2019, the Company issued a total of 7,281,000 ordinary shares of US\$0.000025 each at the price of HK\$4.41 per share by means of partially exercise of the over-allotment option relating to the Global Offering.

21. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share option schemes of the Company

The Company's Pre-IPO Share Incentive Schemes (the "Schemes") were adopted pursuant to resolutions passed on August 1, 2009, January 2, 2018 and June 21, 2018, respectively, for the primary purpose of providing incentives to directors of the Company and eligible employees of the Group. Under the Schemes, the Board of Directors of the Company may grant options to eligible employees, including directors of the Company, to subscribe for shares in the Company.

Each employee share option converts into one ordinary share of the Company on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

The following table discloses movements of the Company's share options under the Schemes for the six months ended June 30, 2019:

	Number of Pre-IPO share options		
	Chief Executive and Directors	Employees	Total
Outstanding at January 1, 2019 (Audited)	14,758,000	19,127,000	33,885,000
Share Split and Capitalization Issue	50,016,476	64,823,493	114,839,969
Exercised	(42,420,741)	(46,480,657)	(88,901,398)
Outstanding at June 30, 2019 (Unaudited)	<u>22,353,735</u>	<u>37,469,836</u>	<u>59,823,571</u>

During the six months ended June 30, 2019, 88,901,398 share options were exercised with a weighted average exercise price of US\$0.01 after taking into account the retrospective adjustment of the Share Split and Capitalization Issue.

At June 30, 2019, 2,194,555 outstanding share options after the Share Split and Capitalization Issue (December 31, 2018: 20,255,000) were exercisable.

At June 30, 2019, the weighted average exercise price of amounted to US\$0.13 (December 31, 2018: US\$0.26).

The Group recognized the total expense of RMB4,323,000 for the six months ended June 30, 2019 in relation to share options granted by the Company (six months ended June 30, 2018: RMB4,113,000).

22. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value measurement

The Group's financial assets and financial liabilities at FVTPL which are measured at fair value (details refer to Notes 14 and 19) at June 30, 2019 and December 31, 2018 are grouped under 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 (in particular, the valuation technique(s) and inputs used).

- Level 1 fair value measurements are based on quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(i) **Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis**

Financial assets	Fair value at		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	June 30, 2019	December 31, 2018				
	RMB'000	RMB'000				
Unlisted investment at FVTPL	191,740	109,065	Level 2	Most recent transaction price	N/A	N/A
	146,374	95,675	Level 3	Backsolve from most recent transaction price	IPO Probability	The higher the probability, the higher the valuation
	<u>338,114</u>	<u>204,740</u>				

In addition, the Group's financial liabilities at FVTPL measured at fair value at December 31, 2018 were grouped under Level 3 hierarchy and were automatically converted to ordinary shares upon the Global Offering on May 9, 2019.

There were no transfers between level 1 and level 2 during the six months ended June 30, 2019.

(ii) **Reconciliation of level 3 fair value measurements**

Details of reconciliation of financial assets at FVTPL measured at Level 3 fair value measurement are set out as below:

	Unlisted investments at fair value RMB'000
At January 1, 2018 (Audited)	65,295
Acquisitions	892
Recognized from SFE revenue	12,405
Gain on fair value change	25,177
Recognized from deemed disposal of a joint venture	12,589
Recognized from disposal of FVTPL	(3,170)
Transfer to level 2	(24,326)
At June 30, 2018 (Unaudited)	<u>88,862</u>
At January 1, 2019 (Audited)	95,675
Acquisitions	6,696
Recognized from SFE revenue	2,151
Gain on fair value change	45,008
Recognized from deemed disposal of an associate	12,533
Transfer from level 2	25,436
Transfer to level 2	(41,125)
At June 30, 2019 (Unaudited)	<u>146,374</u>

Details of reconciliation of financial liabilities at FVTPL measured at Level 3 fair value measurement are set out in Note 19.

Of the total gains or losses for the six months ended June 30, 2019 included in profit or loss, RMB27,221,000 (six months ended June 30, 2018: RMB36,778,000) was unrealized fair value gains related to financial assets at FVTPL held at June 30, 2019 and 2018, respectively. Fair value gains or losses on financial assets at FVTPL are included in “Fair value gain on financial assets at fair value through profit or loss”.

(iii) **Fair value of financial assets and financial liabilities that are not measured at fair value**

The directors of the Company consider that the carrying amount of the Group’s financial assets and financial liabilities recorded at amortized cost in the condensed consolidated financial statements approximate their fair values. Such fair values have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis.

23. CAPITAL COMMITMENTS

The Group had capital commitments under non-cancellable contracts as follows:

	At June 30, 2019 RMB’000 (Unaudited)	At December 31, 2018 RMB’000 (Audited)
Commitments for the acquisition of property, plant and equipment	348,845	346,262
Commitments for the unlisted equity investments at FVTPL	82,496	–

24. RELATED PARTY DISCLOSURES

(1) Names and relationships with related parties

The following companies are significant related parties of the Group that had transactions and/or balances with the Group during the periods presented in the condensed consolidated financial statements.

Company	Relationship
Jiaxing Tekeluo Biotech Co., Ltd.	Associate
Jiaxing Youbo Biotech Co., Ltd.	Joint Venture
QureBio Limited (Note 1)	Associate
Shanghai Daidai (Hong Kong) Limited	Entity wholly owned by Ms. Mao Jun (Note 2)
JMCR Partners Limited	Entity wholly owned by Ms. Mao Jun

Notes:

(1) Since March 14, 2019, QureBio Limited is no longer a related party of the Group.

(2) Ms. Mao Jun is the non-executive director of the Company.

(2) Transactions with related parties

i. Provision of research and development services

	Six months ended June 30, 2019 RMB’000 (Unaudited)	2018 RMB’000 (Unaudited)
Jiaxing Tekeluo Biotech Co., Ltd.	1,274	–
Jiaxing Youbo Biotech Co., Ltd.	2,066	226
QureBio Limited	654	1,455
	<u>3,994</u>	<u>1,681</u>

ii. *Interest expenses arising from related parties' loans*

	Six months ended June 30,	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Shanghai Daidai (Hong Kong) Limited	–	42
JMCR Partners Limited	–	372
	<u>–</u>	<u>414</u>
(3) Related party balances		
	As at June 30, 2019	
	RMB'000 (Unaudited)	As at December 31, 2018 RMB'000 (Audited)
Trade receivables from related parties		
Jiaxing Tekeluo Biotech Co., Ltd.	274	326
Jiaxing Youbo Biotech Co., Ltd.	1,113	882
QureBio Limited	–	713
	<u>1,387</u>	<u>1,921</u>
(4) Compensation of key management personnel		

The remuneration of the directors of the Company and other members of key management of the Group for the six months ended June 30, 2019 and 2018 were as follows:

	Six months ended June 30,	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Salaries and other benefits	4,627	2,543
Performance-based bonus	234	–
Retirement benefits scheme contributions	45	36
Share-based compensation	2,198	2,008
	<u>7,104</u>	<u>4,587</u>

25. **SUBSEQUENT EVENTS**

The Group has the following significant event subsequent to June 30, 2019:

Pursuant to written board resolutions passed on July 11, 2019, the Company announced to exercise its powers under the repurchase mandate to repurchase shares of the Company pursuant to the written resolutions passed on April 14, 2019 by the then shareholders of the Company. According to the repurchase mandate, the Company is allowed to repurchase a maximum of 150,000,000 Shares, being 10% of the total number of issued shares immediately after the Global Offering. As of the date of the issuance of these condensed consolidated financial statements, a total of 7,628,000 ordinary shares were repurchased and cancelled with a total consideration of HK\$31,902,000 (equivalent to approximately RMB28,087,000).

OTHER INFORMATION

Use of Proceeds

The Company's ordinary shares were listed on the Stock Exchange on May 9, 2019. The total net proceeds from the Company's Global Offering amounted to approximately RMB1,217.1 million. Up to June 30, 2019, the Group has utilized approximately RMB71.2 million. As at June 30, 2019, net proceeds not yet utilized were deposited with certain licensed banks in Hong Kong.

Interim Dividend

The Board has resolved to declare an interim dividend of HK\$0.005 per share for the six months ended June 30, 2019 to the shareholders of the Company whose names appear on the register of members on September 13, 2019. The interim dividend will be paid to the shareholders of the Company on or about September 30, 2019.

Closure of Register of Members

The register of members of the Company will be closed from September 11, 2019 to September 13, 2019 (both dates inclusive). In order to qualify for the interim dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on September 10, 2019.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period from the Listing Date to June 30, 2019.

Subsequent Event

In July 2019, the Company repurchased an aggregate of 7,628,000 shares for an aggregate consideration of approximately HK\$31.9 million (equivalent to approximately RMB28.1 million), all of which were canceled on August 5, 2019.

Employee Remuneration and Relations

As at June 30, 2019, the Group had a total of 532 employee and the total staff costs (including directors' emoluments) were RMB67.3 million. Remuneration of our employee 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 and contributions to benefit plans (including pensions). 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 which materially affected our business activities.

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, 88,901,398 share options were exercised by directors and employees of the Group. As at June 30, 2019, an aggregate of 59,823,570 outstanding share options were exercisable under the Pre-IPO Share Incentive Schemes. As at June 30, 2019, 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 have been granted, exercised or canceled, or agreed to be granted, under the Post-IPO Share Option 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.

As the shares of the Company were listed on the Stock Exchange on the Listing Date, the CG Code did not apply to the Company during the period before the Listing Date. In the opinion of the Directors, the Company has complied with the relevant code provisions contained in the CG Code during the period from the Listing Date to June 30, 2019.

Under the code provision A.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.

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 have complied with the Model Code during the Reporting Period. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management of the Group during the period from the Listing Date to June 30, 2019.

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, Deloitte Touche Tohmatsu, 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”.

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 27, 2019

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