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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2019

FINANCIAL HIGHLIGHTS

	2019	2018	**Change**
	RMB million	*RMB million*	
Revenue	**323.1**	210.0	53.9%
Gross Profit	**155.9**	105.5	47.8%
Gross Profit Margin	**48.3%**	50.2%	
Net Profit	**265.9**	90.6	193.5%
Net Profit Margin	**82.3%**	43.1%	
Adjusted Non-IFRS Net Profit	**318.0**	135.5	134.7%
Adjusted Non-IFRS Net Profit Margin	**98.4%**	64.5%	
	HK$	*HK$*	
Earnings per share			
– Basic	**0.22**	0.09	144.4%
–Diluted	**0.20**	0.09	122.2%
Adjusted Non-IFRS Earnings per share			
– Basic	**0.26**	0.15	73.3%
– Diluted	**0.24**	0.13	84.6%

The Board has recommended the payment of a final dividend of HK$0.015 per share for the year ended December 31, 2019.

NON-IFRS MEASURE

To supplement the Group's 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 (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.

FOREIGN EXCHANGE RATE OF EARNINGS PER SHARE:

HK$1:RMB0.8805 in 2019 (being the annual average central parity rate as announced by the People's Bank of China in 2019)

HK$1:RMB0.8443 in 2018 (being the annual average central parity rate as announced by the People's Bank of China in 2018)

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Upholding the mission of becoming a cradle for innovative biotechnology companies around the world, the Group continues to operate a leading structure-based early stage drug discovery service platform, and a systemic, and scientific incubation platform. Our innovative and twin drivers of cash-for-service (CFS) business and equity-for-service (EFS) business contributed to each other to secure remarkable progress. During the Reporting Period, our revenue increased significantly to RMB323.1 million from RMB210.0 million for the corresponding period of last year, representing a year-on-year increase of 53.9%; our net profit increased to RMB265.9 million from RMB90.6 million for the corresponding period of last year, representing a year-on-year increase of 193.5% and our adjusted Non-IFRS Net Profit increased to RMB318.0 million from RMB135.5 million for the corresponding period of last year, representing a year-on-year increase of 134.7%.

Cash-for-service (CFS) business

Throughout 2019, the Group's CFS business delivered more than 13,700 protein structures and more than 1,200 independent drug targets to our customers. During the Reporting Period, the Group also continued to expand the extensive and diversified qualify customer base with customer orders registering a substantial increase. Revenue from the CFS business increased significantly to RMB245.6 million from RMB154.7 million for the corresponding period of last year, representing a year-on-year increase of 58.8%. As of December 31, 2019, the Company had provided drug discovery services to more than 438 biotechnology and pharmaceutical customers worldwide, including nine out of the ten largest global pharmaceutical companies (in terms of revenue in 2019) and 29 companies named in the Fierce Biotech Top 15 Promising Biotechs; and the contract amount of our orders on hand reached approximately RMB349 million, up by 91.8% from the corresponding period of the previous year. Revenue generated from repeat customers accounted for 81.5% of the total revenue during the Reporting Period. Total revenue contributed by the top ten customers increased to RMB125.3 million in 2019 from RMB91.0 million for 2018 while total revenue from the top ten customers as a percentage of the Group's total revenue decreased from 43.3% to 38.8%, reflecting our ever-growing customer base and a diversified customer structure.

Equity-for-service (EFS) business

Throughout 2019, revenue generated by our EFS business amounted to RMB77.5 million, representing a year-on-year increase of approximately 40.0%. During the Reporting Period, we proactively explored project sources. These new investment projects covers more frontier, diversified fields, and a greater geographical distribution. For example, we have expanded our portfolio coverage of biological macromolecules, genes and cell therapies. We have also established and improved a post-investment management system and deepened cooperation with scientific research institutes, incubators in the global biopharmaceutical field and venture capitals. The first Viva Biotech Partnership Summit was launched in Shanghai, achieving initial success in establishment of the innovative pharmaceutical industry and capital ecosystem.

During the Reporting Period, we received and reviewed 635 early-stage projects and after selection and assessment, we added 19 startups to our incubation portfolio companies, made additional investments in two of our existing incubation portfolio companies and was in negotiation for incubation and investment in three new companies. Among the new incubation portfolio companies, 15 were added after April 15, 2019, being the latest practicable date in the prospectus dated April 25, 2019 (the "**Prospectus**") 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 December 31, 2019
1.	VersaChem,Inc.	EFS	2019.05	First-in-class small molecule drug therapeutic for acute and recent Spinal Cord Injury (SCI)	20.73%[2]
2.	AcuraStem Incorporated	Strategic Investment	2019.06	First-in-class drug discovery to cure Neurodegenerative Diseases including Lou Gehrig's Disease (ALS) and Frontotemporal Dementia (FTD)	0.00%[2]
3.	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	0.00%[2]
4.	Mebias Discovery, Inc.	EFS	2019.06	Developing a platform to discover novel biased GPCR drugs with an improved therapeutic index	5.54%[2]
5.	Proviva Therapeutics, Inc[1]	EFS	2019.06	A pro-cytokine (Zitokine) fusion protein platform, for the treatment of cancer and infectious diseases	31.00%
6.	Acelink Therapeutics, Inc.	Strategic Investment	2019.07	Developing novel drugs, Glucosylceramide synthase (GCS) inhibitors, for genetically-associated human diseases; such as several lysosomal storage diseases: GBA-associated Parkinson's disease (PD), polycystic kidney disease (PKD), etc.	10.00%
7.	Saverna Therapeutics AG	Strategic Investment	2019.08	miRNA-targeting small molecule drugs development, and the use of a fragment-based screening with nuclear magnetic resonance	0.00%[2]
8.	DTx Pharma, Inc.	Strategic Investment	2019.09	Development of a technology that enables delivery of RNAi (double-stranded oligonucleotide) therapeutics to multiple cell types and tissues	5.30%
9.	Seraxis Pte Ltd	Strategic Investment	2019.10	iPSC-derived cell replacement therapy for insulin dependent diabetes imbedded inside a therapeutic device implanted on the omentum	0.00%[2]
10.	Ophidion Inc.	Strategic Investment	2019.11	Developing a peptide initially derived from the Lynx1-loop2 sequence that can bind with neuronal nicotinic acetylcholin (nAch) receptor and mediate blood brain barrier (BBB) crossing	6.94%
11.	Reglagene Holding, Inc.	EFS	2019.12	Developing small molecule drugs by selective control of gene transcription via the Quadruplex (DNA secondary structures) target for diseases caused by aberrant gene behavior	0.00%[2]

No.	Company Name	Type	Time of investment/ incubation agreement	Indications/ Primary Technology/Business	Shareholding % received as at December 31, 2019
12.	Eubulus Biotherapeutics Inc.[1]	EFS	2019.12	Developing innovative ferroptosis inducer drugs with novel structures for sensitization/combination of anticancer drugs	0.00%[2]
13.	Path Therapeutics, Inc.	EFS	2019.12	The company uses a platform of CRISPR engineered to identify new drug targets for central nervous system (CNS) diseases	19.10%[2]
14	MorphoGene SA	Strategic Investment	2019.12	MorphoGene specializes in re-engineering growth factors with a high affinity extracellular matrix binding domain in the treatment of chronic wounds	15.15%[2]
15.	United InnoMed (Cayman) Limited	Strategic Investment	2019.12	UIM focus on medical device research and development in cardiovascular diseases and surgical therapy	0%[2]

Notes:

1. Our interest in these incubation portfolio companies represent investment that we made in such companies and/or interest that we have acquired from incubation portfolio companies that have subsequently been consolidated into the current incubation portfolio company.

2. Pending agreed R&D milestones, closing of transaction or conversion of convertible instruments (as the case may be) to receive/dispose of shareholding interest in relevant incubation portfolio company.

During the Reporting Period, research and development of the incubated projects of certain companies rolled out smoothly. In particular, a consideration of RMB10.0 million and US$4.0 million was recorded from partial disposal of equity interests in two incubation portfolio companies, Weimou Biotech (Shanghai) Co. Ltd. (維眸生物科技(上海)有限公司) and Proviva Therapeutics, Inc, respectively.

None of the additional investments and disposal constituted discloseable transaction under Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Increase in Employees, Facilities and Scale

As of December 31, 2019, employees of the Group increased from 486 as of December 31, 2018 to 731, 614 of whom are R&D staff. The laboratory and office premise of the Group located at Zhangjiang High-Tech Park, Shanghai was expanded by approximately 8,000 square meters and primarily caters for the increasing demand of CFS customer orders. In September 2019, Viva Biotech Chengdu New Drug Incubation and Production R&D Center project, covering an area of 50 mu, was started and launched in Wenjiang District, Chengdu, which integrates new drug R&D, commercialization and production.

R&D Investment and Technology Platform

Throughout 2019, the R&D investment of the Company amounted to RMB45.0 million, primarily used in the development of structure based drug discovery (SBDD) platform, fragment based drug discovery (FBDD) platform, affinity selection mass spectrometry (ASMS) screening platform and membrane protein targeted drug discovery platform, significant increase of existing equipment, recruitment of R&D talents and increase in the number of employees. In particular, the ASMS screening platform held the Group was well recognized by our customers because it can accommodate a wide range of screening formats and conditions, and is fast, flexible, high throughput and more cost effective.

Business Partners and Scientist Team

Leveraging on the vision and R&D experience in various therapeutic in assessing areas and innovative drugs of our management team and key business partners, our core capacities to assess project value and the professional barriers in our R&D activities are constantly strengthened. As of December 31,2019, we attracted 6 top-tier scientists and professionals from the People's Republic of China ("**PRC**") and overseas to join as business partners, bringing the total number of business partners to over 20, they all have great achievements in their respective academic fields and play a leading role in our incubation program, assisting us in the exploring and screening of potential candidates, advising us on the due diligence of the potential incubation projects, and supporting our incubation portfolio companies on their R&D activities.

Industry and Prospects

In 2019, the global innovative drug market witnessed vibrant growth and China's contract research organization (CRO) industry entered a stage of high speed and high quality development. Demand for early preclinical drug R&D outsourcing service surged, while reducing R&D cost and enhancing success rate and efficiency of R&D activities has become essential in maintaining core competitiveness. The capital market witnessed a vibrant biopharmaceutical initial public offering financing and merger and acquisition market. The Company will capture such historical opportunities to proactively recruit quality customers and biotech companies with high potentials at the early R&D stage of new drugs, construct and continuously raise technology barriers and expand and integrate industrial chain through improving operational efficiency, strengthening talent recruitment and enhancing platform capability, with an aim to establish an virtuous cycle of win-win cooperation.

To Strengthen Platform Construction and Integrate Layout alongside the Industry Chain

In terms of technology platforms, the Company is actively building new technology platforms such as Cryo-EM and Computational Chemistry, being committed to further expanding in technology fields such as new drug discovery in terms of bio-macromolecules and biological detection. In terms of incubation platform, the Company plans to continue to optimize and improve the scalability and sustainability of EFS model, thereby forging an open cooperation platform for global biopharmaceutical innovators.

The Company will accelerate its strategic cooperation with quality CMO/CDMO companies by vertically integrating new drug discovery, R&D and production platforms in the industry service chain, so as to rapidly improve the service offerings of the Company, enhance the incubation capability of the EFS business and attract more CFS customers. Through strategic placement of investment in a number of funds and professional platform along the entire industrial chain, the Company's incubation portfolio and its diversity, adaptability, variety and risk resilience will be further strengthened.

Discussion of Results of Operation

Revenue

The Group's revenue in the Reporting Period was approximately RMB323.1 million, representing an increase of 53.9% as compared to approximately RMB210.0 million in the year ended December 31, 2018, 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.

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Revenue from services to non-investees (CFS model):		
– Full-time-equivalent ("**FTE**")	**181,009**	117,358
– Fee-for-service ("**FFS**")	**64,548**	37,317
	245,557	154,675
Revenue from services to investees (EFS model):		
– FTE	**31,902**	33,593
– FFS	**1,936**	1,365
– Service-for-equity ("**SFE**")	**43,662**	20,400
	77,500	55,358
	323,057	210,033

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

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Revenue		
– USA	**243,592**	160,723
– PRC	**74,477**	48,223
– Europe	**1,802**	676
– Rest of the world	**3,186**	411
	323,057	210,033

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 RMB167.2 million, representing an increase of 59.8% as compared to approximately RMB104.6 million in the year ended December 31, 2018. 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 RMB155.9 million, representing an increase of 47.8% as compared to approximately RMB105.5 million in the year ended December 31, 2018. The increase was in line with the Group's business growth. Gross margin was 48.3% for the Reporting Period, as compared to 50.2% for the year ended December 31, 2018. The minor 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 interest income, government grant and subsidies. The Group's other income was approximately RMB20.9 million for the Reporting Period, representing an increase of 344.7% as compared to approximately RMB4.7 million in the year ended December 31, 2018. 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 interests in associates, gain on deemed disposal of interests in a joint venture and others. During the Reporting Period, the Group recorded a gain of approximately RMB44.4 million in other gains and losses, representing an increase of 43.2% as compared to approximately RMB31.0 million in the year ended December 31, 2018. The increase was primarily due to an increase in 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 RMB45.0 million, representing an increase of 77.9% as compared to approximately RMB25.3 million in the year ended December 31, 2018. 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 RMB3.6 million, representing a slight decrease of 7.7% as compared to approximately RMB3.9 million in the year ended December 31, 2018. 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 RMB51.2 million, representing an increase of 100.0% as compared to approximately RMB25.6 million in the year ended December 31, 2018. The increase primarily reflected expansion of the Group's incubation team and an increase in third party consultation fee to enhance operating efficiency.

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 RMB24.3 million for the year ended December 31, 2018.

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 December 31, 2018 and 2019.

The Group recorded gains arising from financial assets designated at FVTPL of approximately RMB217.6 million for the Reporting Period, mainly including (i) gain from investment in bank wealth management products of RMB4.9 million; (2) gain from fair value change of investment companies of RMB212.7 million, primarily reflecting the increase in the fair value of the Group's equity interest in three incubation portfolio companies, Proviva Therapeutics, Inc., Weimou Biotech (Shanghai) Ltd. and Liangzhun (Shanghai) Industrial Co., Ltd., as compared to approximately RMB68.3 million for the year ended December 31, 2018, 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 RMB1.8 million for the Reporting Period, as compared to approximately RMB0.1 million of impairment losses for the year ended December 31, 2018.

Share of Loss of Associates

For the Reporting Period, the Group recorded share of loss of associates of approximately RMB34 thousand, as compared to approximately RMB1.7 million for the year ended December 31, 2018. The decrease primarily represented the Group's decreased share of loss in one of its incubation portfolio company, QureBio Limited.

Share of Loss of Joint Ventures

For the Reporting Period, the Group recorded share of loss of joint ventures of approximately RMB1.9 million, as compared to approximately RMB1.5 million for the year ended December 31, 2018. 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 RMB2.3 million, representing an increase of 283.3%, as compared to approximately RMB0.6 million for the year ended December 31, 2018. The increase was mainly due to an approximately RMB2.0 million increase in rental interest liabilities as the Group applied IFRS 16 for the first time during 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 RMB20.7 million for the year ended December 31, 2018.

Income Tax Expense

The Group's income tax expense for the Reporting Period was approximately RMB15.1 million, representing a decrease of 1.3% from approximately RMB15.3 million for the year ended December 31, 2018. In addition, our effective income tax rate decreased from 14.4% for the year ended December 31, 2018 to 5.4% for the year ended December 31, 2019, primarily due to an increase in gain not subject to income tax.

Net Profit and Net Profit Margin

As a result of the foregoing, the Group's net profit for the Reporting Period was approximately RMB265.9 million, representing an increase of 193.5% as compared to RMB90.6 million for the year ended December 31, 2018. Our net profit margin increased from 43.1% for the year ended December 31, 2018 to 82.3% for the year ended December 31, 2019, primarily due to mutual contribution of CFS business and EFS business to achieve increased business volume and disposal of certain equity interests.

Liquidity and Financial Resources

As at December 31, 2019, the Group's total cash and cash equivalents amounted to approximately RMB904.1 million, representing an increase of 481.0% as compared to approximately RMB155.6 million as at December 31, 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 December 31, 2019, the Group had approximately RMB1.9 million of secured and unguaranteed bank loans, of which the principal and interest are repaid monthly and the loan will be matured in April 2023. As at December 31, 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 December 31, 2019, a building with a carrying amount of approximately RMB5.3 million was pledged to secure borrowings of the Group.

Capital Expenditure

For the Reporting Period, the Group's capital expenditure amounted to approximately RMB56.0 million, which was mainly used for construction of facilities and equipment purchases, as compared to approximately RMB42.5 million for the year ended December 31, 2018. The Group funded its capital expenditure with cash flow generated from its operations and partial proceeds from listing.

Contingent Liabilities

The Group had no material contingent liabilities as at December 31, 2019.

Future Plan for Material Investment and Capital Assets

Save as disclosed in the Prospectus, this announcement and other announcement 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 gain of approximately RMB32.7 million and approximately RMB14.6 million for the Reporting Period and the year ended December 31, 2018, respectively. We are exposed to the foreign currency of U.S. dollars as part of our revenue was generated from sales denominated in U.S. dollars as well as deposits denominated in U.S. dollars. We purchased various bank foreign exchange wealth management products to hedge against our exposure to currency risk during the Reporting Period and up to the date of this announcement. 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.

EMPLOYEE REMUNERATION AND RELATIONS

As at December 31, 2019, the Group had a total of 731 employees and the total staff costs (including directors' emoluments) were RMB151.7 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 December 31, 2019, an aggregate of 2,194,555 outstanding share options were exercisable under the Pre-IPO Share Incentive Schemes. As at December 31, 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.

EVENT AFTER REPORTING PERIOD

1. On January 21, 2020, Viva Biotech (Shanghai) Ltd. (維亞生物科技(上海)有限公司) ("**Viva Biotech Shanghai**"), a wholly-owned subsidiary of the Company entered into an equity transfer agreement with independent third parties in relation to the acquisition of the entire equity interest in a PRC company holding property interest in Shanghai for a consideration of RMB120,000,000. Completion of the transaction took place on March 9, 2020. Details of the transaction has been disclosed by the Company in its announcement dated January 21, 2020.

2. On January 22, 2020, the Viva Incubator Investment Management Limited, a wholly-owned subsidiary of the Company as issuer and the Company as guarantor entered into a subscription agreement in relation to a proposed issue of US$180 million guaranteed convertible bonds due 2025, the issuance was completed and the guaranteed convertible bonds was listed on the Stock Exchange of Hong Kong Limited on February 11, 2020. Details of the issuance has been disclosed by the Company in its announcements dated January 22, 2020, January 23, 2020, February 5, 2020 and February 11, 2020.

Additionally, upon the outbreak of Coronavirus (COVID-19) in early 2020, a series of precautionary and preventive measures were implemented in regions where the Group operates. The Group's R&D operation is conducted from its facilities located in Shanghai, Jiaxing and Chengdu, PRC. A vast majority of the Group's employees has resumed work since late February and as of the date of this announcement, the COVID-19 outbreak has not resulted in any significant impact to the Group's operation, with laboratory works and projects progressing in an orderly manner. As the global industry chain and service offering for contract research and development are witnessing severe disruption, certain clients have relocated their research development projects to our facilities in the PRC. We will continue to work with existing and prospective clients and commit resources to business development and operations, with an aim to service such clients' continued business needs.

The Group will continue to pay close attention to the development of the COVID-19 outbreak and evaluate the potential impact on the financial position and operating results of the Group.

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

The shares of the Company were first listed on the Main Board of the Stock Exchange on May 9, 2019 (the "**Listing Date**"). During the year ended December 31, 2019, the Company repurchased 34,364,000 shares on the Stock Exchange for an aggregate consideration of approximately HK$148 million including expenses. The repurchased shares were subsequently cancelled. The repurchase was effected because the Board considered that the trading price of the Shares does not reflect their intrinsic value and this presents a good opportunity for the Company to repurchase the Shares, thereby enhancing the value of Shares and improving return to shareholders of the Company.

Details of the shares repurchased are as follows:

Month of repurchase	**No. of shares repurchased**	**Highest price paid per share** *(HK$)*	**Lowest price paid per share** *(HK$)*	**Aggregate Consideration**[1] *(HK$'000)*
July 2019	7,628,000	4.270	4.060	32,001.18
August 2019	3,277,000	4.195	3.739	13,293.29
September 2019	469,500	4.401	4.030	1,955.57
October 2019	872,500	4.695	4.375	3,997.89
November 2019	5,933,500	4.650	4.136	26,533.34
December 2019	16,183,500	4.460	4.110	70,213.22
Total	34,364,000			147,994.49

(1) Aggregate consideration inclusive of expenses.

Save as disclosed above, neither the Company nor any member of the Group purchased, sold or redeemed any of the Company's shares since the Listing Date during the year ended December 31, 2019.

USE OF PROCEEDS FROM GLOBAL OFFERING

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

	Approximate % of total net proceeds	**Planned use of actual net proceeds**	**Utilized net proceeds up to December 31, 2019** (1)	**Proceeds unused** (2)	**Intended use of the proceeds** (3)
		RMB'million	*RMB'million*	*RMB'million*	*RMB'million*
Expanding EFS model	30%	365.13	170.3	194.83	194.83
Building up commercial & research manufacturing capabilities and capacities in contract manufacturing organization ("**CMO**")	30%	365.13	57.76	307.37	307.37
Purchasing laboratory equipment and materials	10%	121.71	82.82	38.89	38.89
Hiring, training and retaining biologics & chemical drug R&D personnel	10%	121.71	82.13	39.58	39.58
Expanding CMO business	10%	121.71	20.0	101.71	101.71
General corporate and working capital	10%	121.71	61.24	60.47	60.47

Notes:

1. 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.

2. As at December 31, 2019, net proceeds not yet utilized were deposited with certain licensed banks in Hong Kong or the PRC.

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

FINAL DIVIDEND

The Directors recommended the payment of a final dividend of HK$0.015 per share, representing an aggregate amount of approximately RMB21.2 million (using an exchange rate of HK$1:RMB0.9086, being the average central parity rate as announced by the People's Bank of China on March 30, 2020) based on the total issued shares of the Company as of the date of this announcement. Subject to the approval of the Shareholders at the annual general meeting of the Company, the proposed final dividend is expected to be paid on or about July 10, 2020. As disclosed in the interim results announcement dated August 27, 2019, the Board has resolved to declare an interim dividend of HK$0.005 per share for the six months ended June 30, 2019. The Company has adopted a dividend policy on payment of dividends. The Company does not have any pre-determined dividend payout ratio. Depending on the financial conditions, operational needs, capital requirements and factors as set out in the dividend policy, dividends may be proposed and/or declared by the Board during a financial year, and such amount shall not exceed 40% of the distributable profit for a particular financial year (excluding any unrealized fair value gains from our incubation portfolio companies).

ANNUAL GENERAL MEETING

The 2020 annual general meeting (the "**2020 AGM**") will be held on Wednesday, June 10, 2020. Notice of the 2020 AGM and all other relevant documents will be published and despatched to shareholders of the Company in due course.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed during the following periods:

(i) from Friday, June 5, 2020 to Wednesday, June 10, 2020, both days inclusive and during which period no share transfer will be effected, for the purpose of ascertaining shareholders' entitlement to attend and vote at the 2020 AGM. In order to be eligible to attend and vote at the 2020 AGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 pm on Thursday, June 4, 2020; and

(ii) from Wednesday, June 17, 2020 to Friday, June 19, 2020, both days inclusive and during which period no share transfer will be effected, for the purpose of ascertaining shareholders' entitlement to the proposed final dividend. In order to establish entitlements to the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 pm on Tuesday, June 16, 2020.

SUFFICIENCY OF PUBLIC FLOAT

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

CORPORATE GOVERNANCE

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

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

Save as disclosed above, during the period from the Listing Date and up to December 31, 2019, the Company has complied with the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

Upon specific enquiry, all Directors confirmed that they have complied with the Model Code during the period from the Listing Date to December 31, 2019. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management of the Company during the period from the Listing Date to December 31, 2019.

REVIEW OF FINANCIAL STATEMENTS

Audit Committee

The Audit Committee of the Company had reviewed together with the management and external auditor the accounting principles and policies adopted by the Company and the audited consolidated financial statements for the year ended December 31, 2019. The Audit Committee confirms that the applicable accounting principles, standards and requirements have been complied with, and that adequate disclosures have been made. The Audit Committee has also discussed the auditing, internal control and financial reporting matters.

The annual results for the year ended 31 December 2019 have been prepared in accordance with IFRSs.

Scope of Work of Deloitte Touche Tohmatsu

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended December 31, 2019 as set out in this announcement have been agreed by the Group's auditors, Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year.

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

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.vivabiotech.com). The annual report of the Company for the year ended December 31, 2019 will be despatched to the shareholders of the Company and published on the aforesaid websites in due course.

In this announcement, "we", "us" and "our" refer to the Company (as defined below) and where the context otherwise requires, the Group (as defined below).

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 that the consolidated annual results of the Group for the year ended December 31, 2019 with the comparative figures for the year ended December 31, 2018 are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended December 31, 2019

	Notes	**2019** *RMB'000*	2018 *RMB'000*
Revenue	*4*	**323,057**	210,033
Cost of services		**(167,184)**	(104,576)
Gross profit		**155,873**	105,457
Other income	*5*	**20,870**	4,671
Other gains and losses	*6*	**44,420**	31,047
Research and development expenses		**(44,954)**	(25,251)
Selling and marketing expenses		**(3,571)**	(3,925)
Administrative expenses		**(51,215)**	(25,576)
Listing expenses		**(17,909)**	(24,274)
Fair value gain on financial assets at fair value through profit or loss ("**FVTPL**")	*12*	**217,630**	68,286
Impairment losses under expected credit model, net of reversal		**(1,812)**	(113)
Share of loss of associates		**(34)**	(1,748)
Share of loss of joint ventures		**(1,874)**	(1,498)
Finance costs	*7*	**(2,261)**	(557)
Profit before fair value loss on financial liabilities at FVTPL and tax		**315,163**	126,519
Fair value loss on financial liabilities at FVTPL	*15*	**(34,238)**	(20,658)
Profit before tax	*8*	**280,925**	105,861
Income tax expense	*9*	**(15,053)**	(15,311)
Profit for the year		**265,872**	90,550
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**231**	–
Other comprehensive income for the year		**231**	–
Total comprehensive income for the year		**266,103**	90,550
		RMB	*RMB*
Earnings per share	*10*		
– Basic		**0.19**	0.08
– Diluted		**0.18**	0.08

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2019

	Notes	**2019**	2018
		RMB'000	*RMB'000*
Non-Current Assets			
Property, plant and equipment		**106,348**	66,899
Right-of-use assets		**50,638**	–
Interests in associates		**–**	2,675
Interests in joint ventures		**4,228**	2,602
Financial assets at FVTPL	*12*	**622,854**	204,740
Contract assets		**5,405**	3,368
Rental deposits and prepayments		**11,097**	6,872
Deferred tax assets		**3,789**	1,013
		804,359	288,169
Current Assets			
Inventories		**8,530**	4,900
Contract costs		**5,612**	4,261
Trade and other receivables	*13*	**140,656**	68,410
Financial assets at FVTPL	*12*	**29,629**	–
Restricted bank balances		**5,908**	8,045
Bank balances and cash		**904,091**	155,554
		1,094,426	241,170
Current Liabilities			
Trade and other payables	*14*	**35,946**	25,578
Contract liabilities		**635**	1,483
Income tax payables		**11,399**	14,904
Bank borrowings		**525**	497
Lease liabilities		**24,458**	–
		72,963	42,462
Net Current Assets		**1,021,463**	198,708
Total Assets Less Current Liabilities		**1,825,822**	486,877

	Notes	2019	2018
		RMB'000	*RMB'000*
Non-Current Liabilities			
Bank borrowings		**1,340**	1,865
Deferred income		**15,844**	9,849
Lease liabilities		**23,084**	–
Financial liabilities at FVTPL	*15*	**–**	220,600
Deferred tax liabilities		**8,160**	3,121
		48,428	235,435
Net Assets		**1,777,394**	251,442
Capital and Reserves			
Share capital	*16*	**261**	164
Reserves		**1,777,133**	251,278
Total Equity		**1,777,394**	251,442

NOTES TO FINANCIAL INFORMATION

1. GENERAL

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 are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on May 9, 2019 (the "**Listing Date**"). The address of the registered office and the principal place of business in Hong Kong of the Company are PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands and Room 1901, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong. At the date of this announcement, the ultimate controlling party of the Company is Mr. Mao Chen Cheney.

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the "**Group**") are principally engaged in providing the structure-based drug discovery services to biotechnology and pharmaceutical customers worldwide for their pre-clinical stage innovative drug development.

The consolidated financial statements are presented in Renminbi ("**RMB**"), which is also the functional currency of the Company.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**") and by the Hong Kong Companies Ordinance.

3. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSS")

New and amendments to IFRSs that mandatorily effective for the current year

The Group have applied the new and amendments to IFRSs issued by the ISAB for the first time in the current year.

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 years and/or on the disclosures set out in the consolidated financial statements.

IFRS 16 Leases

The Group has applied IFRS 16 for the first time in the current year. IFRS 16 superseded IAS 17 Leases ("**IAS 17**"), and the related interpretations.

The following adjustments were made to the amounts recognized in the 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	**Adjustments**	**Carrying amounts under IFRS 16 at January 1, 2019**
	RMB'000	*RMB'000*	*RMB'000*
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 year ended December 31, 2019, movements in working capital have been computed based on opening statement of financial position as at January 1, 2019 as disclosed above.

4. 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 consolidated financial statements as financial assets at FVTPL).

	2019	2018
	RMB'000	*RMB'000*
Revenue from services to non-investees:		
– FTE	**181,009**	117,358
– FFS	**64,548**	37,317
	245,557	154,675
Revenue from services to investees:		
– FTE	**31,902**	33,593
– FFS	**1,936**	1,365
– SFE	**43,662**	20,400
	77,500	55,358
	323,057	210,033

Timing of revenue recognition

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

Over time

	2019	2018
	RMB'000	*RMB'000*
Revenue from FTE	**212,911**	150,951
Revenue from SFE	**43,662**	20,400
	256,573	171,351

At a point in time

	2019	2018
	RMB'000	*RMB'000*
Revenue from FFS	**66,484**	38,682

Unsatisfied performance obligations

The following table shows the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) for the revenue from SFE at the end of the reporting period:

	2019	2018
	RMB'000	*RMB'000*
Revenue from SFE	**71,170**	22,034

Management expects that the majority of the transaction price allocated to the unsatisfied performance obligations at each reporting date during the reporting period will be recognized as revenue within two years from the relevant reporting date.

Under FTE charge method, revenue is recognized at the amount to which the Group has the right to invoice for services performed, therefore, under practical expedients allowed by IFRS 15, the Group does not disclose the value of unsatisfied performance obligations under FTE charge method. Under FFS charge method, contracts are generally within an original expected length of one year or less, therefore, the practical expedients is also applied.

Segment information

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. 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:

	2019	2018
	RMB'000	*RMB'000*
Revenue		
– USA (United States of America)	**243,592**	160,723
– PRC	**74,477**	48,223
– Europe	**1,802**	676
– Rest of the world	**3,186**	411
	323,057	210,033

Information about major customers

No customer contributed over 10% of the total revenue of the group during the reporting period.

5. OTHER INCOME

	2019	2018
	RMB'000	*RMB'000*
Interest income		
– banks	**14,904**	861
– imputed interest income on rental deposits	**182**	–
	15,086	861
Government grants and subsidies related to		
– Income *(Note i)*	**4,079**	2,895
– Assets *(Note ii)*	**1,705**	915
	20,870	4,671

Notes:

(i) The government grants related to income that are unconditional and received as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they received.

(ii) The Group has received certain government grants related to assets to invest in laboratory equipment and plant. The grants related to assets were recognized in profit or loss over the remaining useful lives of the relevant assets upon the Group complied with the conditions attached to the grants and the government acknowledged acceptance.

6. OTHER GAINS AND LOSSES

	2019	2018
	RMB'000	*RMB'000*
Net foreign exchange gain	**32,736**	14,632
(Loss) gain on disposal of property, plant and equipment	**(31)**	5
Gain on deemed disposal of interests in associates	**11,684**	–
Gain on deemed disposal of interests in a joint venture	**–**	11,355
Gain on disposal of interests in an associate	**–**	4,047
Gain on disposal of interests in a joint venture	**–**	960
Others	**31**	48
	44,420	31,047

7. FINANCE COSTS

	2019	2018
	RMB'000	*RMB'000*
Interest expenses on		
– bank borrowings	**288**	143
– loans from related parties	**–**	414
Interest on lease liabilities	**1,973**	–
	2,261	557

8. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	2019	2018
	RMB'000	*RMB'000*
Depreciation of property, plant and equipment	**16,496**	9,954
Depreciation of right-of-use assets	**17,581**	–
Less: capitalized in contract costs	**439**	406
	33,638	9,548
Staff cost (including directors' emoluments):		
– Salaries and other benefits	**126,503**	73,652
– Retirement benefits scheme contributions	**16,898**	10,677
– Share-based payment expenses	**8,330**	8,602
	151,731	92,931
Less: capitalized in contract costs	**2,275**	1,889
	149,456	91,042
Auditors' remuneration	**4,227**	2,638
Minimum operating lease payment in respect of rented premises	**–**	8,662
Cost of inventories recognized as expense	**33,701**	24,791

9. INCOME TAX EXPENSE

	2019 *RMB'000*	2018 *RMB'000*
Current tax:		
– PRC Enterprise Income Tax ("**EIT**")	**10,543**	11,659
– Hong Kong	**1,942**	–
Under provision in prior years:		
– Hong Kong	**305**	–
	12,790	11,659
Deferred tax:		
– Current year	**2,263**	3,652
	15,053	15,311

The Company is tax exempt under the laws of the Cayman Islands.

On 21 March 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 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first Hong Kong Dollars ("**HK$**") 2,000,000 of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2,000,000 will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for the reporting period 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. As of the date of the issuance of these consolidated financial statements, the renewal of the accreditation is in process and management of the Group expects the renewal will be completed before May 31, 2020. As such, the estimated EIT rate of Viva Biotech Shanghai for the reporting period is 15%.

Pursuant to Caishui [2018] circular No. 99, Viva Biotech Shanghai and Jiaxing Viva Biotech Limited ("**Jiaxing Viva**") enjoy super deduction of 175% on qualifying research and development expenditures for the year ended December 31, 2019 (2018: 175%).

The income tax expense over the reporting period can be reconciled to profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2019 *RMB'000*	2018 *RMB'000*
Profit before tax	**280,925**	105,861
Tax at the applicable tax rate of 25%	**70,231**	26,465
Tax effect of expenses not deductible for tax purpose	**18,356**	17,747
Tax effect of income not taxable for tax purpose	**(61,403)**	(17,084)
Effect of intergroup transaction	**–**	1,537
Effect of research and development expenses that are additionally deducted	**(3,061)**	(1,866)
Under provision in prior years	**305**	–
Income tax at concessionary rate	**(10,234)**	(7,436)
Effect of different tax rates of subsidiaries operating in other jurisdiction	**859**	(4,052)
Income tax expense	**15,053**	15,311

10. EARNINGS PER SHARE

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

	2019	2018
Earnings *(RMB'000)*:		
Earnings for the purpose of calculating basic and diluted earnings per share	**265,872**	90,550
Number of shares *(RMB'000)*:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,400,446**	1,083,749
Effect of dilutive potential ordinary shares:		
Pre-IPO Share Incentive Schemes of the Company	**84,496**	106,825
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**1,484,942**	1,190,574

The computation of basic earnings per share for year ended December 31, 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 the year ended December 31, 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.

The computation of diluted earnings per share for the year ended December 31, 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 16. The diluted earnings per share did not assume conversion of the Series B Preferred Shares as their inclusion would be anti-dilutive for the year ended December 31, 2019 and 2018, 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 year ended December 31, 2018.

The computation of diluted earnings per share in current year 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.

11. DIVIDEND

On April 13, 2019, a special dividend of RMB120,747,000 was declared and subsequently 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**").

On August 27, 2019, an interim dividend of HK$0.005 per share (in an aggregate amount of RMB7,149,000) was declared to shareholders of the Company whose names appeared on the Register of Members on September 13, 2019.

Subsequent to the end of the reporting period, a final dividend in respect of the year ended December 31, 2019 of HK$0.015 per ordinary share (in an aggregate amount of approximately RMB21,249,000 based on the total issued shares of the company as of the date of this announcement), has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

No dividend was paid or declared by the Company during the year ended December 31, 2018.

12. FINANCIAL ASSETS AT FVTPL

	2019	2018
	RMB'000	*RMB'000*
Unlisted investments at FVTPL	**647,271**	204,740
Financial products *(Note)*	**5,212**	–
	652,483	204,740
Analyzed for reporting purposes as:		
Current assets	**29,629**	–
Non-current assets	**622,854**	204,740
	652,483	204,740

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

	RMB'000
At January 1, 2018	71,059
Acquired	95,166
Recognized from SFE revenue	20,725
Recognized from deemed disposal of a joint venture	12,589
Gain on fair value change	68,286
Disposal	(63,085)
At December 31, 2018	204,740
Acquired	192,487
Recognized from SFE revenue	41,625
Recognized from deemed disposal of an associate	14,328
Gain on fair value change	212,700
Disposal	(18,326)
Exchange adjustment	(283)
At December 31, 2019	647,271

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

	RMB'000
At January 1, 2019	–
Acquired	1,601,953
Gain on fair value change	4,930
Disposal	(1,601,671)
At December 31, 2019	5,212

Note: At December 31, 2019, the financial products classified as financial assets at FVTPL represented unguaranteed financial products issued by a bank, with no fixed maturity period and expected return rate at 2.9% per annum.

13. TRADE AND OTHER RECEIVABLES

	2019	2018
	RMB'000	*RMB'000*
Trade receivables		
– related parties	**1,987**	1,921
– third parties	**57,275**	50,433
Loss allowance for trade receivables	**(1,757)**	(893)
	57,505	51,461
Other receivables		
– payments for potential acquisitions *(Note)*	**70,000**	–
– others	**6,734**	2,112
	76,734	2,112
Deferred issue costs	**–**	6,724
Prepayments	**1,302**	525
Prepaid expenses	**1,343**	2,908
Value added tax recoverable	**3,772**	4,680
	6,417	14,837
Total trade and other receivables	**140,656**	68,410

Note: On November 18, 2019, Viva Biotech Shanghai entered into cooperation intention agreement with vendors, whereby Viva Biotech Shanghai conditionally agreed to acquire 100% equity interest of the target company from the vendors at the consideration of RMB120,000,000. On November 25, 2019, the intention payment of RMB50,000,000 was paid to the vendors in accordance with the terms of the cooperation intention agreement.

On December 15, 2019, Viva Biotech Shanghai entered into potential strategic investment and cooperation agreement with shareholders of Zhejiang Langhua Pharmaceutical Co., Ltd ("**Langhua Pharmaceutical**"). On December 30, 2019, an intention payment of RMB20,000,000 was paid to an escrow account in accordance with the terms of the cooperation intention agreement.

At January 1, 2018, trade receivables from contracts with customers amounted to RMB28,082,000.

The Group allows a credit period of 90 days in 2019 (2018: 30 to 90 days) to its customers. The following is an aged analysis of trade receivables (net of allowance for credit losses) presented based on the invoice dates, at the end of the reporting period:

	2019	2018
	RMB'000	*RMB'000*
Within 3 months	**41,967**	46,580
3 months to 1 year	**12,145**	4,810
1 to 2 years	**3,393**	71
	57,505	51,461

At December 31, 2019, included in the Group's trade receivable balance are debtors with aggregate carrying amount of RMB15,538,000 (2018: RMB13,693,000) which are past due at the reporting date. Out of the past due balances, RMB8,015,000 has been past due 90 days or more and is considered as recoverable based on historical receivable experience on the past due status of these customers and no evidence indicating that these customers were in a significant financial difficulty.

The Group does not hold any collateral over these balances.

Trade and other receivables that are denominated in currencies other than functional currency of the respective group entities are set out below:

	2019	2018
	RMB'000	*RMB'000*
US$	**26,233**	26,047

14. TRADE AND OTHER PAYABLES

	2019	2018
	RMB'000	*RMB'000*
Trade payables		
– third parties	**7,552**	4,685
Other payables		
– third parties	**7,400**	3,124
Accrued listing expenses and issue costs	**251**	11,516
Salary and bonus payables	**20,052**	5,902
Other taxes payable	**691**	351
	35,946	25,578

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:

	2019	2018
	RMB'000	*RMB'000*
Within 3 months	**5,349**	3,398
Over 3 months but within 1 year	**1,188**	697
Over 1 year	**1,015**	590
	7,552	4,685

Trade and other payables that are denominated in currencies other than the functional currency of the respective group entities are set out below:

	2019	2018
	RMB'000	*RMB'000*
US$	**1,267**	337
HK$	**303**	–

15. 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:

	RMB'000
At January 1, 2018	–
Issuance of Series B Preferred Shares	199,942
Change in fair value	20,658
At December 31, 2018	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	(246,899)
At December 31, 2019	–

16. SHARE CAPITAL

	Authorized number of shares	**US$**
Ordinary shares		
At January 1, 2018, 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	(16,233,532)	(1,623)
At December 31, 2018 of US$0.0001 each	483,766,468	48,377
Share Split *(Note ii)*, of US$0.000025 each	1,451,299,404	–
Automatic conversion of Series B Preferred Shares of US$0.000025 each upon Global Offering	64,934,128	1,623
At December 31, 2019, of US$0.000025 each	2,000,000,000	50,000

	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 of US$0.0001 each	175,000,000	17,500	120
Ordinary shares issued *(Note i)*, of US$0.0001 each	71,917,810	7,200	44
At December 31, 2018 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 *(Note 15)*, of US$0.000025 each	64,934,128	1,623	11
Shares issued pursuant to Capitalization Issue *(Note iii)*, of US$0.000025 each	102,394,632	2,560	17
Shares issued upon Global Offering *(Note iv)*, of US$0.000025 each	345,000,000	8,625	59
Exercise of over-allotment option *(Note v)*, of US$0.000025 each	7,281,000	182	1
Exercise of share options, of US$0.000025 each	88,901,398	2,222	15
Repurchase of ordinary shares, of US$0.000025 each *(Note vi)*	(34,364,000)	(859)	(6)
At December 31, 2019, of US$0.000025 each	1,561,818,398	39,053	261

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 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.

(vi) Pursuant to the board resolution 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. A total of 34,364,000 shares were repurchased and cancelled at a total consideration of HK$147,994,000 (equivalent to approximately RMB132,440,000) for the year ended December 31, 2019.

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, March 30, 2020

As at the date of this announcement, the executive Directors are Mr. MAO Chen Cheney, Mr. WU Ying, Mr. HUA Fengmao and Mr. REN Delin, the non-executive Directors are Ms. MAO Jun and Ms. SUN Yanyan, and the independent non-executive Directors are Mr. FU Lei, Ms. LI Xiangrong and Mr. WANG Haiguang.