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, 2020

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, 2020 (the "**Reporting Period**").

FINANCIAL HIGHLIGHTS

	Unaudited Six months ended June 30,		
	2020	2019	**Change**
	RMB million	*RMB million*	
Revenue	**197.6**	142.3	38.9%
Gross Profit	**100.1**	71.9	39.2%
Gross Profit Margin	**50.7%**	50.5%	
Net Profit	**(530.3)**	46.5	
Adjusted Non-IFRS Net Profit	**123.7**	98.6	25.5%
Adjusted Non-IFRS Net Profit Margin	**62.6%**	69.3%	
	RMB	*RMB*	
Earnings per share			
– Basic	**(0.38)**	0.04	
– Diluted	**(0.38)**	0.03	
Adjusted Non-IFRS Earnings per share			
– Basic	**0.09**	0.08	12.5%
– Diluted	**0.09**	0.07	28.6%

The Board has resolved to declare an interim dividend of HK$0.017 per share for the six months ended June 30, 2020.

NON-IFRS MEASURE

To supplement the Group's condensed consolidated financial statements which are presented in accordance with the International Financial Reporting Standards ("**IFRS**"), the Company has provided adjusted Non-IFRS net profit, adjusted Non-IFRS net profit margin, and adjusted Non-IFRS earnings per share (excluding fair value loss on financial liabilities at FVTPL, interest expenses of the debt components of the Convertible Bonds, transaction costs relating to the derivative component of the Convertible Bonds, gain on repurchase of the Convertible Bonds and Listing expenses) 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

During the first half of 2020, the COVID-19 pandemic struck a blow to domestic and global health and economic development, triggering challenges of different severity to various industries. Closely related to the health of mankind, the biopharmaceutical sector has drawn heightened attention and expectations from society and capital market. Meanwhile, after a temporary adjustment amid the COVID-19 pandemic, China's CRO industry delivered upward growth momentum. The Group actively implemented pandemic containment measures to seek opportunities behind such crisis and accelerate the integration of research and development ("**R&D**") and production service chain of new drug industry, thereby achieving further synergistic effect between the cash-for-service (CFS) model and equity-for-service (EFS) model.

During the Reporting Period, our revenue increased significantly to RMB197.6 million from RMB142.3 million for the corresponding period last year, representing a year-on-year increase of 38.9%. Our adjusted net profit increased to RMB123.7 million from RMB98.6 million for the corresponding period last year, representing a year-on-year increase of 25.5%. As of June 30, 2020, our backlog amount reached approximately RMB493 million, representing a significant increase of approximately 138.2% from the same period last year, including approximately RMB325 million under the CFS model, representing an increase of approximately 118% from the same period last year; and approximately RMB168 million under the EFS model, representing an increase of approximately 190% from the same period last year.

Cash-for-service (CFS) Business

Leveraging our globally leading technology platform and sound reputation, the Company vigorously expanded the international and domestic markets during the COVID-19 pandemic to record a substantial increase in the number of customers and a more diverse customer base. As of June 30, 2020, the Company had provided drug discovery services to an aggregate of over 495 biotechnology and pharmaceutical customers worldwide, delivered over 17,000 protein complex structures and conducted research into more than 1,300 independent drug targets. During the Reporting Period, revenue from the CFS segment increased to RMB154.0 million from RMB105.4 million for the corresponding period last year, representing a year-on-year increase of 46.1%. The primary reason behind such increase was a rise in the number of customers and orders secured from customers. Total revenue from the top ten customers increased from RMB64.7 million for the six months ended June 30, 2019 to RMB82.1 million for the six months ended June 30, 2020, while total revenue contributed by top ten customers as a percentage of the Group's total revenue decreased from 45.5% to 41.5%, indicating a continuously optimized customer structure.

Equity-for-service (EFS) Business

During the first half of 2020, we extensively explored business opportunities around the globe on an on-going basis and established long-term cooperation relations and recommendation systems with near 60 universities, research transformation centers and investment institutions world-wide. During the Reporting Period, the Company reviewed a total of over 425 projects globally, added 10 startups to our portfolio companies, made additional investment in 3 existing portfolio companies, and was in negotiation for incubation and investment in 3 new companies. The Company had a total of 56 portfolio start-ups with an average agreed shareholding[1] of 21.78%. Details are as follows:

No.	Company Name	Type	Time of investment/ incubation agreement	Indications/Primary Technology/Business	Shareholding % received as at the date of this announcement
1	Blue Oak Pharmaceuticals, Inc.	EFS	2020/02	Discovering novel multi-target pathways to help patients with neurological disorders, focusing on systems neurobiology and brain circuitry.	3.15%
2	Regenacy Pharmaceuticals, Inc.	Strategic investment	2020/03	Developing innovative treatment of diabetic peripheral neuropathy and chemotherapy-induced peripheral neuropathy.	1.67%

1 The agreed shareholding takes into account shareholding which the Company will acquires upon fulfilment of service milestones and other milestone events. The figure does not take into account investments where the agreed quantity of shareholding to be converted from such convertible bond investments are not determined as at the date of this announcement.

No.	Company Name	Type	Time of investment/ incubation agreement	Indications/Primary Technology/Business	Shareholding % received as at the date of this announcement
3	Elgia Therapeutics, Inc.	EFS	2020/04	Focusing on the discovery and development of specific Caspase inhibitors for nonalcoholic fatty liver disease (NAFLD)/non-alcoholic steatohepatitis (NASH) therapy and other inflammatory conditions.	9.68%
4	Phenomic AI Inc.	EFS	2020/05	Developing therapeutic antibodies targeting colorectal cancer.	5.03%
5	Vincere Biosciences, Inc.	EFS	2020/06	Developing therapeutics targeting mitochondrial pathways for brain disorders particularly in neuro degenerative diseases.	0%*
6	NERIO Therapeutics, Inc.	Strategic investment	2020/06	Developing allosteric/uncompetitive phosphatase inhibitors for several protein tyrosine phosphatase (PTP)s.	3.79%
7	Sisu Pharma, Inc.	EFS	2020/06	Focusing on the development of HSF1 inhibitor for the hormone treatment resistant prostate cancer.	4.98%
8	Focus-X Therapeutics, Inc.	EFS	2020/06	Focusing on the development of peptide receptor radionuclide therapy (PRRT).	0%*
9	Triumvira Immunologics Inc.	Strategic investment	2020/06	Developing novel T cell therapies that are safer and more efficacious than current cancer treatments, including chimeric antigen receptor (CAR) and engineered T cell receptor (TCR) therapies.	0%*
10	QurClear LLC	Strategic investment	2020/06	QurClear is a legal entity for holding shares of EnClear Therapies, Inc. Enclear Therapies is developing an equipment to filter toxic protein accumulated in brain and spinal cord to cure amyotrophic lateral sclerosis (ALS) and progressive superanuclear palsy (PSP) patients with C9orf72 mutation.	3.82%**

* 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.

** percentage of the units

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**").

We continue to attract top ranking scientists from the People's Republic of China (the "**PRC**") and overseas to join as our business partners. As of June 30, 2020, our business partners increased to 30, who have attained remarkable achievements in their academic and drug discovery fields. In view of the COVID-19 pandemic, Viva BioInnovator launched on-line Demo Day activities to build a communication platform cross regions and time zones for portfolio companies to interact with investment institutions and pharmaceutical enterprises. We also actively conducted post-investment management to facilitate incubated companies to advance R&D progress, introduce talents, optimize product pipeline development strategies and coordinate fund-raising resources.

Technology Platform, and Facilities

During the first half of 2020, the Company's R&D investment totaled RMB22.3 million, primarily used for introduction of new technology platform such as Cryo-EM, Computational Chemistry and HDX-MS. In addition, the Company also actively mapped out in the antibody macromolecules field and set up CMC process development team, so as to expand and satisfy customers' needs at different R&D stages.

To better meet the Company's requirements arising from rapid business development, the Company acquired the property with a site area of 7,576 square meters located on Faladi Road, Pudong, Shanghai in February 2020. In April, Viva Biotech Chengdu New Drug Incubation and Production R&D Center with a site area of 33,607 square meters commenced construction. Such efforts will accelerate the realization of business strategies, save rental expenses and provide the Company with stable R&D, manufacturing and operation premise.

Financing

On February 11, 2020, Viva Incubator Investment Management Limited, a wholly-owned subsidiary of the Company, issued US$180 million convertible bonds due 2025 guaranteed by the Company (the "**Convertible Bonds**"), proceeds from which are primarily used for business expansion and integration towards the downstream of the industry chain and daily business operation of the Company. Such financing activity provided the Company with sound capital support to accelerate the realization of its strategic development goals.

Future Strategies and Outlook

Positioning at the source of early-stage discovery of innovative drugs with technology platform, flow of traffic and talent advantages, the Company is speeding up the construction of a comprehensive and one-stop drug service platform, which is designated to provide customers with more comprehensive drug development services. Strategic integration with Zhejiang Langhua Pharmaceutical Co., Ltd. will bring together the synergistic effect of both parties in the R&D, design and manufacturing fields of global pharmaceutical markets, which is of great strategic significance to the Company in terms of vertical integration along the industrial chain and expansion into the CDMO (contract development and manufacturing organization) business.

In the future, the Company will continue to strengthen the technology advantages, enhance operation efficiency, introduce more talented scientists and technologies, improve capacity of the incubation platforms, strengthen loyalty between existing customers and portfolio companies and proactively conduct industrial integration, in a bid to establish an open and cooperative platform targeting at global biopharmaceutical innovators and build an ecosystem featuring cooperation and mutual benefits.

Discussion of Result of Operation

Revenue

The Group's revenue in the Reporting Period was approximately RMB197.6 million, representing an increase of 38.9% as compared to approximately RMB142.3 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,	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue from services to non-investees (CFS model):		
– Full-time-equivalent ("**FTE**")	**118,102**	79,781
– Fee-for-service ("**FFS**")	**35,908**	25,620
	154,010	105,401
Revenue from services to investees (EFS model):		
– FTE	**13,924**	12,330
– FFS	**867**	270
– Service-for-equity ("**SFE**")	**28,756**	24,340
	43,547	36,940
	197,557	142,341

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,	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue		
– USA	**164,636**	119,545
– PRC	**26,989**	22,135
– Europe	**2,281**	391
– Other Countries and Regions	**3,651**	270
	197,557	142,341

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 RMB97.4 million, representing an increase of 38.2% as compared to approximately RMB70.5 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 RMB100.1 million, representing an increase of 39.2% as compared to approximately RMB71.9 million in the corresponding period last year. The increase was in line with the Group's business growth. Gross margin was 50.7% for the Reporting Period, as compared to 50.5% for the corresponding period last year.

Other Income and Gains

Other income and gains consist primarily of interest income, government grants and subsidies, net foreign exchange gain, gain on deemed disposal of interests in an associate, gain on repurchase of Convertible Bonds, and gain on derivative financial instrument. During the Reporting Period, the Group recorded a gain of approximately RMB27.2 million, representing a decrease of 20.5% as compared to approximately RMB34.2 million in the corresponding period last year. The decrease was primarily due to an approximately RMB9.9 million decrease in gain on deemed disposal of interests in an associate.

Selling and Distribution Expenses

Selling and marketing expenses primarily consist of staff cost, travelling expenses and others. During the Reporting Period, the Group's selling and marketing expenses were approximately RMB2.0 million, representing a slight increase of by 11.1% as compared to approximately RMB1.8 million in the corresponding period last year. The increase was primarily due to an increase in business development fee.

Administrative Expenses

Administrative expenses primarily consist of administrative staff costs, audit and consultancy fees, office administration expense, rental, depreciation, travelling and transportation expenses and others. During the Reporting Period, the Group's administrative expenses were approximately RMB37.0 million, representing an increase of 65.2% as compared to approximately RMB22.4 million in the corresponding period last year. The increase was primarily due to the expansion of the Group's incubation team, together with an approximately RMB5.1 million increase in Convertible Bonds transaction costs relating to the embedded derivative components.

Research and Development Expenses

R&D expenses mainly consist of labor costs, cost of materials, overhead costs and fees paid to third parties that conduct certain R&D activities on our behalf. During the Reporting Period, the Group's R&D expenses were approximately RMB22.3 million, representing an increase of 42.9% as compared to approximately RMB15.6 million in the corresponding period last year. The increase was primarily due to the introduction of new technology platform such as Cryo-EM, Computational Chemistry and HDX-MS.

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

Fair value gain on FVTPL mainly consists of fair value gains from financial products issued by banks and the gains from the fair value change of the equity interests in the Group's incubation portfolio companies.

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 fair value gain on financial assets at FVTPL in the Group's financial statements. Except for Proviva Therapeutics, Inc, no individual equity interests in the Group's incubation portfolio companies accounted for more than 5% of the Group's total assets.

The Group recorded gains arising from fair value change of the equity interests in the Group's incubation portfolio companies designated at FVTPL of approximately RMB54.7 million for the Reporting Period, primarily reflecting the increase in the fair value of the Group's equity interest in three incubation portfolio companies, VersaChem, Inc., Mediar Therapeutics, Inc. and Anji Pharmaceuticals, Inc., as compared to approximately RMB48.2 million for the corresponding period last year, primarily reflecting the increase in 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.

The Group recorded a fair value gain from financial products issued by banks of approximately RMB12.0 million, as compared to nil in the corresponding period last year.

Impairment losses on financial assets, net

Impairment losses under expected credit model, net of reversal reflects impairment loss on trade receivables. The Group recorded impairment losses of approximately RMB0.4 million for the Reporting Period, representing a decrease of 69.2% as compared to approximately RMB1.3 million of impairment losses for the corresponding period last year.

Finance Costs

Finance cost primarily consists of interest on Convertible Bonds, interest on lease liabilities and interest expenses on loans from banks. For the Reporting Period, the Group's finance cost was approximately RMB38.6 million, representing an increase of 4188.9%, as compared to approximately RMB0.9 million for the corresponding period last year. The increase was mainly due to an approximately RMB37.8 million increase in interest of the debt components of the Convertible Bonds.

Share of Loss of a Joint Venture

For the Reporting Period, the Group recorded share of loss of a joint venture of approximately RMB0.3 million, as compared to approximately RMB0.9 million for the corresponding period last year. The decrease primarily represented the Group's decreased share of loss in one of its incubation portfolio companies, Jiaxing Youbo Biotech Co., Ltd.

Fair Value Loss on Financial Liabilities at FVTPL

Fair value loss on financial liabilities at FVTPL represents changes in fair value of the embedded derivative components of the Convertible Bonds. For the Reporting Period, the Group recorded fair value loss on financial liabilities at FVTPL of approximately RMB615.5 million, as compared to approximately RMB34.2 million for the corresponding period last year, which 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.

Income Tax Expense

The Group's income tax expense was approximately RMB7.9 million, representing a decrease of 37.8% from approximately RMB12.7 million for the corresponding period last year, primarily due to a decrease in fair value gain which subject to tax.

Net Profit and Net Profit Margin

As a result of the foregoing, the Group's net loss for the Reporting Period was approximately RMB530.3 million, as compared to a net profit of RMB46.5 million for the corresponding period last year. The decrease was primarily due to increase in fair value loss of the embedded derivative components of the Convertible Bonds.

The adjusted non-IFRS net profit of the Group increased 25.5% to approximately RMB123.7 million for the Reporting Period from approximately RMB98.6 million for the corresponding period last year. The adjusted non-IFRS net profit margin of the Group for the Reporting Period was 62.6%, 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, and the increase in the administrative expenses.

Liquidity and Financial Resources

As at June 30, 2020, the Group's total cash and cash equivalents amounted to approximately RMB1,521.3 million, representing an increase of 68.3% as compared to approximately RMB904.1 million as at December 31, 2019. Such increase was primarily attributable to the proceeds from the Convertible Bonds. The Group maintains a strong cash position to meet potential needs for business expansion and development.

As at June 30, 2020, current assets of the Group amounted to approximately RMB2,174.1 million, including a cash and cash equivalents of approximately RMB1,521.3 million. Current liabilities of the Group amounted to approximately RMB134.2 million, including bank borrowings of approximately RMB15.9 million.

As at June 30, 2020, the gearing ratio, calculated as total liabilities over total assets, was 42.4%, as compared with 6.4% as at December 31, 2019. The higher ratio is due primarily to the liabilities of Convertible Bonds increased RMB1,224.7 million.

As at June 30, 2020, the Group had approximately RMB17.0 million of secured and unguaranteed bank loans. Of the total borrowing, approximately RMB15.9 million will be due within one year; approximately RMB1.1 million will be due in more than one year. As at June 30, 2020, the Group has HKD53.2 million (equivalent to RMB48.6 million) unutilized banking facilities. The Group intends to finance the expansion, investments and business operations with proceeds from the Global Offering, Convertible Bonds, bank loans and internal resources.

Significant Investment, Material Acquisitions and Disposals

In March 2020, Viva Biotech Shanghai, an indirect wholly-owned subsidiary of the Company, acquired 100% of equity interest of Shanghai Shenyu Wires Co., Ltd from its original shareholders, at a consideration of RMB120.0 million.

Save as disclosed in this announcement, the Group did not make any significant investments and did not have material acquisitions or disposals of subsidiaries, associates and joint ventures for the six months ended June 30, 2020.

Pledge of Assets

As at June 30, 2020, the building with a carrying amount of approximately RMB5.1 million was pledged to secure borrowings of the Group. As at June 30, 2020, a bank deposit for HKD70.0 million (or its equivalent in other foreign currencies) is placed with the bank to secure a bank facility of HKD70.0 million (or its equivalent in USD/CNY).

Capital Expenditure

For the Reporting Period, the Group's capital expenditure amounted to approximately RMB70.2 million, which was mainly used for construction of facilities and equipment purchases, as compared to approximately RMB15.1 million for the corresponding period last year. The Group funded its capital expenditure by using cash flow generated from its operations and financing.

Contingent Liabilities

The Group had no material contingent liabilities as at June 30, 2020.

Future Plan for Material Investment and Capital Assets

Save as disclosed in this interim announcement, Prospectus and other announcement (including but not limited to the Company's announcement dated August 9, 2020 on potential strategic investment and cooperation with Zhejiang Langhua Pharmaceutical Co., Ltd., and the Company's announcement dated July 1, 2020, the Company announced that Viva Biotech Shanghai had successfully entered into a bid for the land use right of the property by way of internet auction through taobao.com (淘寶網) published by the Shanghai Pudong District People's Court (上海市浦東新區人民法院) at a bidding price of RMB392.4 million and obtained the internet auction confirmation on the same day.) published by the Company up to the date of this interim announcement, the Group does not have other plans for material investments and capital assets for Reporting Period and up to the date of this interim 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 RMB8.7 million and approximately RMB15.6 million for the Reporting Period and the corresponding period last year, respectively. We are exposed to the foreign currency of U.S. dollars as part of our revenue was generated from sales denominated in U.S. dollars. We purchased various bank foreign exchange wealth management products to hedge against our exposure to currency risk during the Reporting Period. Management will continue to evaluate the Group's foreign exchange risk and take actions as appropriate to minimize the Group's exposure whenever necessary.

FINANCIAL INFORMATION

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended June 30, 2020

	Notes	**2020**	2019
		RMB'000	*RMB'000*
		(Unaudited)	(Unaudited)
REVENUE	*3*	**197,557**	142,341
Cost of services		**(97,439)**	(70,450)
Gross profit		**100,118**	71,891
Other income and gains	*4*	**27,190**	34,208
Selling and distribution expenses		**(1,951)**	(1,837)
Administrative expenses		**(37,048)**	(22,359)
Research and development expenses		**(22,324)**	(15,616)
Listing expenses		**–**	(17,909)
Fair value gain on financial assets at fair value through profit or loss ("**FVTPL**")	*15*	**66,658**	48,168
Impairment losses on financial assets, net		**(434)**	(1,324)
Other expenses		**(161)**	(13)
Finance costs	*5*	**(38,594)**	(872)
Share of losses of:			
A joint venture		**(321)**	(909)
An associate		**–**	(34)
PROFIT BEFORE FAIR VALUE LOSS ON FINANCIAL LIABILITIES AT FVTPL AND TAX		**93,133**	93,394
Fair value loss on financial liabilities at FVTPL	*18*	**(615,526)**	(34,238)
(LOSS)/PROFIT BEFORE TAX	*6*	**(522,393)**	59,156
Income tax expense	*7*	**(7,879)**	(12,660)
(LOSS)/PROFIT FOR THE PERIOD		**(530,272)**	46,496
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*8*	***RMB***	*RMB*
Basic		**(0.38)**	0.04
Diluted		**(0.38)**	0.03

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended June 30, 2020

	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
(LOSS)/PROFIT FOR THE PERIOD	**(530,272)**	46,496
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**7,150**	–
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**7,150**	–
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD	**(523,122)**	46,496
Attributable to:		
Owners of the parent	**(523,122)**	46,496

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2020

	Notes	**June 30, 2020 *RMB'000* (Unaudited)**	December 31, 2019 *RMB'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	*10*	**163,904**	106,348
Right-of-use assets	*10*	**151,053**	50,638
Interests in a joint venture		**3,907**	4,228
Financial assets at FVTPL	*15*	**760,123**	622,854
Contract assets		**10,728**	5,405
Rental deposits and prepayments		**27,002**	11,097
Deferred tax assets		**7,185**	3,789
Total non-current assets		**1,123,902**	804,359
CURRENT ASSETS			
Inventories		**9,669**	8,530
Trade receivables	*11*	**69,642**	57,505
Contract costs		**6,341**	5,612
Prepayments, other receivables and other assets	*12*	**44,005**	83,151
Financial assets at FVTPL	*15*	**95,652**	29,629
Restricted bank balances		**71,614**	5,908
Cash and cash equivalents		**1,521,285**	904,091
Time deposits with original maturity of over three months		**355,933**	–
Total current assets		**2,174,141**	1,094,426
CURRENT LIABILITIES			
Trade payables	*13*	**6,281**	7,552
Other payables and accruals	*14*	**89,085**	28,394
Derivative financial instruments		**503**	–
Interest-bearing bank borrowings		**15,902**	525
Contract liabilities		**1,816**	635
Lease liabilities		**10,924**	24,458
Income tax payable		**9,651**	11,399
Total current liabilities		**134,162**	72,963

	Notes	**June 30, 2020** *RMB'000* **(Unaudited)**	December 31, 2019 *RMB'000* (Audited)
NET CURRENT ASSETS		**2,039,979**	1,021,463
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,163,881**	1,825,822
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		**1,067**	1,340
Convertible bonds – debt component	*18*	**537,634**	–
Convertible bonds – embedded derivative instruments	*18*	**687,043**	–
Deferred income		**20,294**	15,844
Lease liabilities		**9,185**	23,084
Deferred tax liabilities		**9,910**	8,160
Total non-current liabilities		**1,265,133**	48,428
Net Assets		**1,898,748**	1,777,394
EQUITY			
Equity attributable to owners of the parent			
Share capital	*16*	**283**	261
Other reserves		**1,898,465**	1,777,133
Total Equity		**1,898,748**	1,777,394

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2020

	Share capital *RMB'000*	Share premium *RMB'000*	Exchange fluctuation reserve *RMB'000*	Share option reserve *RMB'000*	Statutory reserves *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*
At January 1, 2020 (audited)	**261**	**1,298,673**	**231**	**28,815**	**25,263**	**424,151**	**1,777,394**
Loss for the period	**–**	**–**	**–**	**–**	**–**	**(530,272)**	**(530,272)**
Other comprehensive income for the period:							
Exchange differences on translation of foreign operations	**–**	**–**	**7,150**	**–**	**–**	**–**	**7,150**
Total comprehensive income for the period	**–**	**–**	**7,150**	**–**	**–**	**(530,272)**	**(523,122)**
Final 2019 dividend declared	**–**	**(23,037)**	**–**	**–**	**–**	**–**	**(23,037)**
Equity-settled share option arrangements	**–**	**–**	**–**	**2,360**	**–**	**–**	**2,360**
Exercise of share options	**6**	**32,104**	**–**	**–**	**–**	**–**	**32,110**
Conversion of convertible bonds	**17**	**646,607**	**–**	**–**	**–**	**–**	**646,624**
Repurchase of ordinary shares	**(1)**	**(13,580)**	**–**	**–**	**–**	**–**	**(13,581)**
At June 30, 2020 (unaudited)	**283**	**1,940,767**	**7,381**	**31,175**	**25,263**	**(106,121)**	**1,898,748**
At January 1, 2019 (audited)	164	47,251	–	20,485	16,207	167,335	251,442
Profit and total comprehensive income for the period	–	–	–	–	–	46,496	46,496
Equity-settled share option arrangements	–	–	–	4,323	–	–	4,323
Capitalization Issue	17	(17)	–	–	–	–	–
Dividend declared	–	(120,747)	–	–	–	–	(120,747)
Automatic conversion of Series B Preferred Shares upon Global Offering	11	246,888	–	–	–	–	246,899
Shares issued upon Global Offering and over-allotment	60	1,339,920	–	–	–	–	1,339,980
Share issue expenses	–	(80,687)	–	–	–	–	(80,687)
Exercise of share options	15	5,648	–	–	–	–	5,663
At June 30, 2019 (unaudited)	267	1,438,256	–	24,808	16,207	213,831	1,693,369

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended June 30, 2020

	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/profit before tax	**(522,393)**	59,156
Adjustments for:		
Finance costs	**38,594**	872
Share of losses of a joint venture and an associate	**321**	943
Interest income	**(7,851)**	(6,995)
Loss on disposal of items of property, plant and equipment	**155**	13
Fair value gains, net:		
Derivative financial instruments	**(1,421)**	–
Financial assets at FVTPL	**(66,658)**	(48,168)
Fair value loss on financial liabilities at FVTPL	**615,526**	34,238
Foreign exchange gain	**(7,462)**	(1,032)
Income from government grants and subsidies related to assets	**(510)**	(1,194)
Revenue from equity-for-service	**(28,756)**	(24,340)
Equity-settled share option expense	**2,360**	4,323
Gain on deemed disposal of interests in associates	**–**	(9,892)
Gain on repurchase of convertible bonds	**(4,447)**	–
Transaction cost of convertible bonds	**5,068**	–
Depreciation of property, plant and equipment	**12,399**	6,492
Depreciation of right-of-use assets	**9,145**	6,759
Impairment losses under expected credit model, net of reversal	**434**	1,324
Gain on disposal of right-of-use assets	**(1,145)**	–
	43,359	22,499
Increase in inventories	**(1,139)**	(299)
Increase in contract costs	**(636)**	(3,516)
(Increase)/decrease in trade receivables	**(8,587)**	3,859
(Increase)/decrease in other receivables	**(167)**	2,544
Decrease in trade payables	**(1,271)**	(843)
Decrease in other payables	**(3,833)**	(723)
Decrease in deferred revenue	**(240)**	–
Increase in contract liabilities	**1,181**	620
Cash generated from operations	**28,667**	24,141
Income tax paid	**(7,731)**	(11,566)
Net cash flows from operating activities	**20,936**	12,575

	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	**5,790**	6,919
Purchases of items of property, plant and equipment	**(49,114)**	(15,635)
Proceeds from disposal of items of property, plant and equipment	**32**	8
Increase in rental deposit	**(4,722)**	(3,131)
Purchases of time deposit over three months	**(353,975)**	–
Receipt of government grants and subsidies related to assets	**5,200**	2,500
Placement of restricted bank deposits	**(65,624)**	(2,506)
Withdraw in restricted bank deposits	**–**	4,652
Capital injection of investment in joint ventures	**–**	(3,500)
Capital injection of investment in associates	**–**	(3)
Payments for acquisition of a subsidiary	**(55,805)**	–
Prepayments for potential acquisition of non-current assets	**(30,000)**	–
Purchase of financial assets at FVTPL	**(2,710,867)**	(52,981)
Proceeds from disposal of financial assets at FVTPL	**2,605,867**	–
Receipt of investment income from derivative financial instruments	**1,924**	–
Net cash flows from investing activities	**(651,294)**	(63,677)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of bank borrowings	**(259)**	(245)
Interest paid	**(218)**	(61)
Issue costs paid	**–**	(69,706)
Proceeds from bank borrowings	**15,363**	–
Proceeds from third party	**–**	10,631
Repayment of third party	**–**	(10,631)
Principal portion of lease payments	**(21,672)**	(3,150)
Proceeds from issue of ordinary shares	**–**	1,339,980
Proceeds from exercise share option	**32,110**	5,663
Payment for repurchase of shares	**(13,581)**	–
Dividend paid	**–**	(128,686)
Proceeds from the issue of convertible bonds	**1,261,148**	–
Transaction cost of convertible bonds	**(5,156)**	–
Payment for repurchase of convertible bonds	**(27,398)**	–
Net cash flows from financing activities	**1,240,337**	1,143,795
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at beginning of period	**904,091**	155,554
Effect of foreign exchange rate changes, net	**7,215**	1,032
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**1,521,285**	1,249,279

1. CORPORATE INFORMATION AND BASIS OF PREPARATION AND PRESENTATION OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1.1 Corporate information

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

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the "**Group**") 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 interim condensed consolidated financial information for the six months ended June 30, 2020 has been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended December 31, 2019.

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

2. CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2019, except for the adoption of the following revised International Financial Reporting Standards ("**IFRSs**") for the first time for the current period's financial information.

Amendments to IFRS 3	*Definition of a Business*
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*
Amendments to IFRS 16	*Covid-19-Related Rent Concessions (early adopted)*
Amendments to IFRS1 and IAS 8	*Definition of Material*

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

(a) Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after January 1, 2020. Upon the initial application, the 100% equity acquisition of the target company which was completed on March 9, 2020 was identified as asset acquisition.

2. **CHANGES IN ACCOUNTING POLICIES (Continued)**

(b) Amendments to IFRS 9, IAS 39 and IFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.

(c) Amendments to IFRS16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the covid-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before June 30, 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after June 1, 2020 with earlier application permitted.

During the period ended June 30, 2020, no monthly lease payments for the leases of the Group's office buildings have been reduced or waived by the lessors as a result of the covid-19 pandemic and there are no other changes to the terms of the leases. The amendments did not have any impact on the financial position and performance of the Group.

(d) Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. The amendments did not have any impact on the Group's interim condensed consolidated financial information.

3. **REVENUE AND OPERATING 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 the associate, the joint venture and companies that the Group has investments in (carry in the condensed consolidated financial statements as financial assets at FVTPL).

	For the Six months ended June 30,	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue from services to non-investees:		
– Full-time-equivalent ("**FTE**")	**118,102**	79,781
– Fee-for-service ("**FFS**")	**35,908**	25,620
	154,010	105,401
Revenue from services to investees:		
– FTE	**13,924**	12,330
– FFS	**867**	270
– Service-for-equity ("**SFE**")	**28,756**	24,340
	43,547	36,940
	197,557	142,341

3. REVENUE AND OPERATING SEGMENT INFORMATION (Continued)

Timing of revenue recognition

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

Over time

	For the six months ended June 30,	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue from FTE	**132,026**	92,111
Revenue from SFE	**28,756**	24,340
	160,782	116,451

At a point in time

	For the Six months ended June 30,	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue from FFS	**36,775**	25,890

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 single operating segment and no further analysis of this single segment is present.

Geographical Information

The Group's operation and non-current assets, excluding financial assets at FVTPL, contract assets and deferred tax assets, are mainly located in the People's Republic of China (the "**PRC**"). An analysis of the Group's revenue from external customers, analyzed by their respective country/region of operation, is detailed below:

	For the Six months ended June 30,	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue		
– United States of America	**164,636**	119,545
– PRC	**26,989**	22,135
– Europe	**2,281**	391
– Other Countries and Regions	**3,651**	270
	197,557	142,341

3. **REVENUE AND OPERATING SEGMENT INFORMATION (Continued)**

Information about major customers

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

	For the Six months ended June 30,	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Customer A	**–**	17,541

4. **OTHER INCOME AND GAINS**

	For the Six months ended June 30,	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest income		
– banks	**7,748**	6,919
– imputed interest income on rental deposits	**103**	76
Government grants and subsidies	**3,567**	1,718
Net foreign exchange gain	**8,710**	15,552
Gain on deemed disposal of interests in an associate	**–**	9,892
Gain on repurchase of convertible bonds *(Note 18)*	**4,447**	–
Gain on derivative financial instruments	**1,421**	–
Gain on disposal of right-of-use assets	**1,145**	–
Others	**49**	51
	27,190	34,208

5. **FINANCE COSTS**

	For the Six months ended June 30,	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on convertible bonds	**37,785**	–
Interest on lease liabilities	**731**	811
Interest on bank loans	**78**	61
	38,594	872

6. (LOSS)/PROFIT BEFORE TAX

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

	For the Six months ended June 30,	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	**12,492**	7,461
Depreciation of right-of-use assets	**9,145**	6,759
	21,637	14,220
Less: capitalized in contract costs	**(532)**	(969)
	21,105	13,251
Staff cost (including directors' emoluments):		
– Salaries and other benefits	**77,215**	54,914
– Retirement benefit scheme contributions	**6,931**	8,112
– Share-based payment expenses	**2,360**	4,323
	86,506	67,349
Less: capitalized in contract costs	**(2,721)**	(4,235)
	83,785	63,114
Auditors' remuneration	**800**	900
Lease payment in respect of short-term leases	**1,376**	1,534
Cost of inventories recognized as expense	**18,608**	12,232

7. INCOME TAX

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

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

	For the Six months ended June 30,	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax:	**5,983**	8,823
Deferred tax:	**1,896**	3,837
	7,879	12,660

7. INCOME TAX (Continued)

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

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the period, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first Hong Kong Dollars ("**HK$**") 2,000,000 (2019: HK$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

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

Viva Biotech (Shanghai) Ltd. ("**Viva Biotech Shanghai**") renewed its "High and New Technology Enterprise" qualification in 2019 and is entitled to the preferential tax rate of 15% from 2019 to 2021.

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

The calculation of the basic (loss)/earnings per share amount is based on the (loss)/profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the six months ended June 30, 2020 and 2019.

The weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share for the six months ended June 30, 2019 has been retrospectively adjusted for the effect of the Share Split and the Capitalization Issue.

The diluted loss per share for the period ended June 30, 2020 did not assume conversion of the Convertible Bond nor the exercise of Post-IPO Share Incentive Schemes as their inclusion would be anti-dilutive.

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

	For the Six months ended June 30,	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
(Loss)/earnings:		
(Loss)/profit attributable to equity holders of the parent, used in the basic and diluted (loss)/earnings per share	**(530,272)**	46,496

	Number of shares For the six months ended June 30,	
	2020	2019
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic (loss)/earnings per share calculation	**1,407,166,209**	1,211,632,627
Effect of dilutive potential ordinary shares:		
Pre-IPO Share Incentive Schemes of the Company	**–**	119,303,404
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**1,407,166,209**	1,330,936,031

9. DIVIDENDS

	For the Six months ended June 30, 2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Final declared – HK$0.015 (2018: Nil) per ordinary shares *(Note i)*	**23,037**	–
Special dividend declared and paid	**–**	120,747

Notes:

(i) On June 10, 2020, a final dividend of HK$0.015 per ordinary share (in an aggregate amount of RMB23,037,000) was declared to shareholders of the Company whose names appeared on the Register of Members on June 19, 2020. The final dividend was paid on July 10, 2020.

(ii) Pursuant to a resolution passed by the Company on August 31, 2020, an interim dividend of HK$0.017 per ordinary share was declared to shareholders of the Company whose names appeared on the Register of Members on September 17, 2020.

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

During the six months ended June 30, 2020, the Group mainly acquired property, plant and equipment and right-of-use assets of approximately RMB70,235,000 and RMB125,010,000, respectively (six months ended June 30, 2019: RMB15,136,000 and RMB41,346,000 respectively), which including that: On March 9, 2020, Viva Biotech Shanghai acquired a 100% interest in Shanghai Shenyu Wires Co., Ltd. from two third-party individual owners at the consideration of RMB120,000,000, for the purpose to acquire property, plant and equipment and right-of-use assets of approximately RMB16,912,000 and RMB112,345,000, respectively. The newly acquired property, plant and equipment and right-of-use assets will be used for the expansion of research and development capacity and working area.

11. TRADE RECEIVABLES

	June 30, 2020 RMB'000 (Unaudited)	December 31, 2019 RMB'000 (Audited)
Trade receivables		
– related parties *(Note 20)*	**220**	1,987
– third parties	**71,613**	57,275
Allowance for impairment loss	**(2,191)**	(1,757)
	69,642	57,505

11. TRADE RECEIVABLES (Continued)

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

	June 30, 2020 *RMB'000* **(Unaudited)**	December 31, 2019 *RMB'000* (Audited)
Within 3 months	**55,716**	41,967
3 months to 1 year	**10,393**	12,145
1-2 years	**3,533**	3,393
	69,642	57,505

12. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	June 30, 2020 *RMB'000* **(Unaudited)**	December 31, 2019 *RMB'000* (Audited)
Other receivables		
– refundable deposits for potential acquisitions	**30,000**	70,000
– others	**4,281**	6,734
	34,281	76,734
Prepayments	**2,312**	1,302
Prepaid expenses	**1,561**	1,343
Value added tax recoverable	**5,851**	3,772
	9,724	6,417
Prepayments, other receivables and other assets	**44,005**	83,151

13. TRADE PAYABLES

	June 30, 2020	December 31, 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade payables		
– third parties	**6,281**	7,552

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

	June 30, 2020	December 31, 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 3 months	**5,891**	5,349
3 months to 1 year	**91**	1,188
1-2 years	**299**	1,015
	6,281	7,552

14. OTHER PAYABLES AND ACCRUALS

	June 30, 2020	December 31, 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Other payables		
– third parties	**37,380**	7,400
Accrued listing expenses and issue costs	**251**	251
Salary and bonus payables	**20,824**	20,052
Other taxes payable	**578**	691
Dividends payable	**22,872**	–
Interest payable	**7,180**	–
	89,085	28,394

15. FINANCIAL ASSETS AT FVTPL

	June 30, 2020	December 31, 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Unlisted investments at FVTPL	**760,123**	647,271
Financial products	**95,652**	5,212
	855,775	652,483
Analyzed for reporting purposes as:		
Current assets	**95,652**	29,629
Non-current assets	**760,123**	622,854
	855,775	652,483

At June 30, 2020, the financial products classified as financial assets at FVTPL represented unguaranteed financial products issued by banks, with no fixed maturity period and expected return rate from 3.60% to 3.75% per annum (at December 31, 2019: 2.9% per annum).

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

	RMB'000
At January 1, 2019 (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	48,168
At June 30, 2019 (Unaudited)	338,114
At December 31, 2019 (Audited)	647,271
Acquired	54,988
Recognized from SFE revenue	23,384
Gain on fair value change	54,676
Disposal	(24,472)
Exchange adjustment	4,276
At June 30, 2020 (Unaudited)	760,123

15. FINANCIAL ASSETS AT FVTPL (Continued)

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

	RMB'000
At January 1 and June 30, 2019	–
At December 31, 2019 (Audited)	5,212
Acquired	2,659,853
Gain on fair value change	11,982
Disposal	(2,581,395)
At June 30, 2020 (Unaudited)	95,652

16. SHARE CAPITAL

	June 30, 2020 *RMB'000* **(Unaudited)**	December 31, 2019 *RMB'000* (Audited)
Issued and fully paid: 1,686,833,314 shares of US$0.000025 each (December 31, 2019: 1,561,818,398 shares of US$0.000025 each)	**283**	261

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

	Number of shares in issue	**Share capital** *RMB'000*
At January 1, 2020 (audited)	1,561,818,398	261
Repurchased and cancelled of US$0.000025 each	(3,652,500)	(1)
Exercise of share options of US$0.000025 each *(Note 17)*	31,270,209	6
Conversion of convertible bonds of US$0.000025 each *(Note 18)*	97,397,207	17
At June 30, 2020 (Unaudited)	1,686,833,314	283

17. SHARE OPTION SCHEMES

Details of the outstanding share options during the period are as follows:

Grant date	**Number of options**	**Expiry date**	**Exercise price per share**
January 2, 2018	1,125,000	January 1, 2028	US$0.54
January 2, 2018	12,065,000	January 1, 2022	US$0.54
June 21, 2018	500,000	June 20, 2022	US$1.90

The Company's Pre-IPO Share Option Schemes (the "**Pre-IPO Schemes**") were adopted pursuant to resolutions passed on January 2, 2018 and June 21, 2018, respectively, for the primary purpose of providing incentives to the eligible employees of the Group.

The number of options and exercise price per share for the options granted on January 2, 2018 and June 21, 2018 represented the unadjusted number of options and exercise price before considering the Share Split and Capitalization Issue.

17. **SHARE OPTION SCHEME (Continued)**

Grant date	**Number of options**	**Expiry date**	**Exercise price per share**
May 21, 2020	16,990,000	May 20, 2025	US$0.98

The Company's Post-IPO Share Option Scheme (the "**Post-IPO Scheme**") was adopted pursuant to the resolutions passed on May 21, 2020, for the primary purpose of providing incentives to the eligible employees of the Group. Under the Post-IPO Scheme, 16,990,000 share options were granted during the period (2019: Nil).

The Group recognized the total expense of RMB2,360,000 for the six months ended June 30, 2020 in relation to share options granted by the Company (six months ended June 30, 2019: RMB4,323,000).

The following share options were outstanding during the period:

	For the six months ended June 30,			
	2020		2019	
	Weighted average exercise price ***US$ per share***	**Number of options**	Weighted average exercise price *US$ per share*	Number of options
At January 1	**0.13**	**59,121,313**	0.26	33,885,000
Share Split and Capitalization Issue	**–**	**–**	0.08	114,839,968
Granted during the period	**0.98**	**16,990,000**	–	–
Forfeited during the period	**0.98**	**(60,000)**	–	–
Exercised during the period	**0.14**	**(31,270,209)**	0.01	(88,901,398)
At June 30	**0.45**	**44,781,104**	0.13	59,823,570

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

At June 30, 2020 Number of options ***(Note)***	**Exercise price US$ per share** ***(Note)***	**Exercise period**
4,285,967	**0.12**	**January 1, 2020 ~ January 1, 2028**
23,565,137	**0.12**	**January 1, 2020 ~ January 1, 2022**
16,930,000	**0.98**	**May 21, 2021 ~ May 20, 2025**
44,781,104		

At June 30, 2019 Number of options *(Note)*	Exercise price US$ per share *(Note)*	Exercise period
2,194,555	0.43	May 9, 2019 ~ June 20, 2020
4,937,748	0.12	January 1, 2020 ~ January 1, 2028
52,691,267	0.12	January 1, 2020 ~ January 1, 2022
59,823,570		

Note: The number of options and exercise price per share represented the adjusted number of options and exercise price after considering the Share Split and Capitalization Issue.

17. SHARE OPTION SCHEME (Continued)

The fair value of equity-settled share options granted during the period was estimated as at the date of grant, using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	For the six months ended June 30, 2020
Dividend yield *(%)*	**0.26**
Expected volatility *(%)*	**38.10**
Risk-free interest rate *(%)*	**0.36**
Expected life of options *(year)*	**5.00**
Weighted average share price *(HK$ per share)*	**2.38**

The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of comparable listed companies in the same industry.

At the end of reporting period, the Company had 44,781,104 share options outstanding under the Schemes. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 44,781,104 additional ordinary shares of the Company, an additional share capital of approximately US$1,000 and a share premium of approximately US$20,049,000 (before issue expenses).

18. CONVERTIBLE BONDS

On February 11, 2020, Viva Incubator Investment Management Limited ("**Viva Incubator HK**"), an indirectly wholly-owned subsidiary of the Company, issued a five-year 2.5% convertible bonds in an aggregate principal amount of US$180,000,000, which was guaranteed by the Company.

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

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

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

On February 11, 2023, the bondholders would have the right to ask Viva Incubator HK to redeem all or some of bonds at 104.73% of its principal amount, together with interest accrued but unpaid to (but excluding) such date.

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

18. CONVERTIBLE BONDS (Continued)

The convertible bonds comprise two components:

(a) was initially measured at fair value amounting to US$129,863,000 (equivalent to RMB919,365,000). It is subsequently measured at amortized cost using the effective interest method after considering the effect of the transaction costs.

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

The total transaction costs of US$2,588,000 (equivalent to RMB18,284,000) that are related to the issue of the convertible bonds were allocated to the debt and derivative components in proportion to their respective fair values.

The total transaction costs relating to the derivative component were charged to profit or loss during the period. Transaction costs relating to the debt component were included in the carrying amount of the debt portion and amortized over the period of the convertible bonds using the effective interest method.

	Debt Component	**Embedded derivative components**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Issue of Convertible Bonds	919,365	354,945	1,274,310
Transaction costs	(13,216)	(5,068)	(18,284)
Transaction costs charged into profit or loss immediately	–	5,068	5,068
Exchange adjustments	1,217	(5,158)	(3,941)
Interest charge	26,289	–	26,289
Repurchase *(Note i)*	(22,981)	(8,874)	(31,855)
Conversion *(Note ii)*	(373,040)	(269,396)	(642,436)
Loss arising on changes of fair value	–	615,526	615,526
At June 30, 2020	**537,634**	**687,043**	**1,224,677**

Notes:

(i) On April 16, 2020, an aggregate principal amount of US$4,500,000 convertible bonds were repurchased by Viva Incubator HK at a total consideration of US$3,870,000 (equivalent to RMB31,855,000), with a gain on repurchase of convertible bonds of US$630,000 (equivalent to RMB4,447,000) recognized.

(ii) Up to June 30, 2020, an aggregate principal amount of US$72,000,000 convertible bonds were converted into 97,397,207 ordinary shares.

19. CAPITAL COMMITMENTS

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

	June 30, 2020	December 31, 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Commitment for:		
the acquisition of property, plant and equipment	**323,900**	343,789
the unlisted equity investments at FVTPL	**58,760**	11,214
	382,660	355,003

20. RELATED PARTY TRANSACTIONS

(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)	Associate

Note: Since March 14, 2019, QureBio Limited is no longer a related party of the Group.

(2) Transactions with related parties

Provision of research and development services

	For the six months ended June 30,	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Jiaxing Tekeluo Biotech Co., Ltd.	**482**	1,274
Jiaxing Youbo Biotech Co., Ltd.	**2,791**	2,066
QureBio Limited	**–**	654
	3,273	3,994

(3) Related party balances

	June 30, 2020	December 31, 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables from related parties		
Jiaxing Tekeluo Biotech Co., Ltd.	**135**	174
Jiaxing Youbo Biotech Co., Ltd.	**85**	1,813
	220	1,987

20. RELATED PARTY TRANSACTIONS (Continued)

(4) Compensation of key management personnel of the Group

	For the six months ended June 30, 2020 *RMB'000* (Unaudited)	2019 *RMB'000* (Unaudited)
Director fee	**821**	252
Salaries and other benefits	**5,781**	4,375
Performance-based bonus	**66**	234
Retirement benefits scheme contributions	**25**	45
Share-based compensation	**268**	2,198
	6,961	7,104

21. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Carrying amounts		Fair values	
	At June 30, 2020 ***RMB'000*** **(Unaudited)**	At December 31, 2019 *RMB'000* (Audited)	**At June 30, 2020** ***RMB'000*** **(Unaudited)**	At December 31, 2019 *RMB'000* (Audited)
Financial assets				
Cash and cash equivalents	**1,521,285**	904,091	**1,521,285**	904,091
Restricted bank balances	**71,614**	5,908	**71,614**	5,908
Trade receivables	**69,642**	57,505	**69,642**	57,505
Time deposits with original maturity of over three months	**355,933**	–	**355,933**	–
Prepayments, other receivables and other assets	**31,469**	72,061	**31,469**	72,061
Rental deposits	**7,566**	2,844	**7,566**	2,844
Financial assets at fair value through profit or loss	**855,775**	652,483	**855,775**	652,483
Financial liabilities				
Derivative financial instruments	**503**	–	**503**	–
Trade payables	**6,281**	7,552	**6,281**	7,552
Other payables and accruals	**66,407**	6,507	**66,407**	6,507
Interest-bearing bank borrowings	**16,969**	1,865	**16,969**	1,865
Lease liabilities	**20,109**	47,542	**20,109**	47,542
Convertible bonds – debt component	**537,634**	–	**537,634**	–
Convertible bonds – embedded derivative instruments	**687,043**	–	**687,043**	–

21. **FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)**

The Group's financial assets and financial liabilities at FVTPL which are measured at fair value (details refer to Notes 15 and 18) at June 30, 2020 and December 31, 2019 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 techniques and inputs used).

Financial instruments	**Valuation techniques and key inputs**	**Significant unobservable inputs**	**Relationship of unobservable inputs to fair value**
Financial assets			
Financial products	Discounted cash flow method	N/A	N/A
Unlisted investment at FVTPL	Most recent transaction price	N/A	N/A
	Comparable company method	The ratio of P/R&D	The higher the ratio of P/R&D, the higher the valuation.
	Backsolve from most recent transaction price	IPO probability	The higher the probability, the higher the valuation.
	Discounted cash flow method	Conversion probability	The higher the probability, the higher the valuation.
Financial liabilities			
Derivative financial instruments	Discounted cash flow method	N/A	N/A
Convertible bonds – embedded derivative components	Binominal option pricing model	Expected volatility	The higher the expected volatility, the higher the valuation.
		Risk-free rate	The lower risk-free rate, the higher the valuation.

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

Fair value hierarchy

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

Assets measured at fair value:

As at June 30, 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1) ***RMB'000*** **(Unaudited)**	**Significant observable inputs (Level 2)** ***RMB'000*** **(Unaudited)**	**Significant unobservable inputs (Level 3)** ***RMB'000*** **(Unaudited)**	**Total** ***RMB'000*** **(Unaudited)**
Financial products	**–**	**95,652**	**–**	**95,652**
Unlisted investment at FVTPL	**–**	**113,305**	**646,818**	**760,123**
	–	**208,957**	**646,818**	**855,775**

As at December 31, 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *RMB'000* (Audited)	Significant observable inputs (Level 2) *RMB'000* (Audited)	Significant unobservable inputs (Level 3) *RMB'000* (Audited)	Total *RMB'000* (Audited)
Financial products	–	5,212	–	5,212
Unlisted investment at FVTPL	–	334,529	312,742	647,271
	–	339,741	312,742	652,483

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

Liabilities measured at fair value:

As at June 30, 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1) ***RMB'000*** **(Unaudited)**	**Significant observable inputs (Level 2)** ***RMB'000*** **(Unaudited)**	**Significant unobservable inputs (Level 3)** ***RMB'000*** **(Unaudited)**	**Total** ***RMB'000*** **(Unaudited)**
Derivative financial instruments	**–**	**503**	**–**	**503**
Convertible bonds – embedded derivative component	**–**	**–**	**687,043**	**687,043**
	–	**503**	**687,043**	**687,546**

The Group did not have any financial liabilities measured at fair value as at December 31, 2019.

22. SUBSEQUENT EVENTS

Except as disclosed elsewhere of the consolidated financial information, the Group has the following significant events subsequent to June 30, 2020:

a. On July 1, 2020, the Company announced that Viva Biotech Shanghai had successfully entered into a bid for the land use right of the property by way of internet auction through taobao.com (淘寶網) published by the Shanghai Pudong District People's Court (上海市浦東新區人民法院) at a bidding price of RMB392,370,000 and obtained the internet auction confirmation on the same day. The Company expects that the acquisition of the property will provide operating space to meet the Group's business growth and development in the coming years.

b. On July 10, 2020, an aggregate of 130,000,000 placing shares were placed at the placing price of HK$8.15 per placing share, representing 7.07% of the issued share capital of the Company as enlarged by the allotment and issued of the placing shares immediately upon completion of the placing. The net proceeds from the placing, after deduction of the placing commission and other related expenses, amounted to approximately HK$1,050,730,000 (equivalent to RMB948,263,000).

c. On August 8, 2020, Viva Biotech Shanghai entered into the share purchase agreement pursuant to which Viva Biotech Shanghai agreed to acquire 80% of the equity interest in Zhejiang Langhua Pharmaceutical Co., Ltd., at the consideration of RMB2,560,000,000, which will be satisfied by cash.

OTHER INFORMATION

Use of Proceeds from the Global Offering

Business objective as stated in the Prospectus	Approximate % of total net proceeds	Planned use of actual net proceeds[(1)]	Utilized net proceeds up to June 30, 2020[(1)]	Proceeds unused[(2)]	Expected timeline for utilizing the remaining balance of net proceeds from the Global Offering[(3)]
Expanding EFS model	30%	365.13	194.08	171.05	Expected to be fully utilized by December 31, 2021
Building up commercial & research manufacturing capabilities and capacities in contract manufacturing organization ("**CMO**")	30%	365.13	142.74	222.39	Expected to be fully utilized by December 31, 2021
Purchasing laboratory equipment and materials	10%	121.71	121.71	0.00	
Hiring, training and retaining biologics & chemical drug R&D personnel	10%	121.71	121.71	0.00	Expected to be fully utilized by December 31, 2020
Expanding CMO business	10%	121.71	20.00	101.71	
General corporate and working capital	10%	121.71	121.71	0.00	

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 June 30, 2020, net proceeds not yet utilized were deposited with certain licensed banks in Hong Kong or the PRC.

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

Use of Proceeds from the Convertible Bonds

On February 11, 2020, Viva Incubator Investment Management Limited ("**Viva Incubator HK**"), an indirectly wholly-owned subsidiary of the Company, issued a five-year 2.5% convertible bonds in an aggregate principal amount of US$180.0 million, which was guaranteed by the Company.

The net proceeds, after deducting the transaction costs of USD2.6 million (equivalent to RMB18.3 million), were USD177.4 million (equivalent to RMB1,256.0 million), and had been utilized as follows as at June 30, 2020:

Business objective as stated in the Offering Circular	Percentage of total net proceeds	Planned use of actual net proceeds *RMB' million*	Actual use of net proceeds during the period from the issuing Date to June 30, 2020 *RMB' million*	Proceeds unused[1] *RMB' million*	Expected timeline for utilizing the remaining balance of net proceeds from the Convertible Bonds[2] *RMB' million*
Business development and expansion	70%	879.19	27.27	851.92	Expected to be fully utilized by December 31, 2022
Working capital and general corporate purposes	30%	376.80	6.50	370.30	Expected to be fully utilized by December 31, 2021

Notes:

1. As at June 30, 2020, net proceeds not yet utilized were deposited with certain licensed banks in Hong Kong or the PRC.

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

Interim Dividend

The Board has resolved to declare an interim dividend of HK$0.017 per share (in an aggregate amount of HK$32,344,112 as at the date of this announcement) for the six months ended June 30, 2020 to the shareholders of the Company whose names appear on the register of members on September 17, 2020. The interim dividend will be paid to the shareholders of the Company on or about October 6, 2020.

Closure of Register of Members

The register of members of the Company will be closed from September 15, 2020 to September 17, 2020 (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 14, 2020.

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

During the six months ended June 30, 2020, the Company repurchased 3,652,500 shares on the Stock Exchange for an aggregate consideration of approximately HK$15.2 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)*
January 2020	2,673,500	4.290	4.130	11,295.4
April 2020	979,000	4.030	3.940	3,896.5
Total	3,652,500			15,191.9

(1) Aggregate consideration inclusive of expenses.

The Group has also repurchase US$4,500,000 of the Bonds on April 16, 2020 for an aggregate consideration of US$3,870,000 (equivalent to RMB31,855,000), with a gain on repurchase of convertible bonds of US$630,000 (equivalent to RMB4,447,000) recognized.

Save as disclosed above, neither the Company nor any member of the Group purchased, sold or redeemed any of the Shares during the six months ended June 30, 2020. Please refer to the section headed "Share Incentive Schemes" for information in relation to the issue of Shares pursuant to options exercised under the Pre-IPO Share Incentive Scheme.

Subsequent Event

1. On July 1, 2020, the Company announced that Viva Biotech Shanghai had successfully entered into a bid for the land use right of the property by way of internet auction through taobao.com (淘寶網) published by the Shanghai Pudong District People's Court (上海市浦東新區人民法院) at a bidding price of RMB392,370,000 and obtained the internet auction confirmation on the same day. The Company expects that the acquisition of the property will provide operating space to meet the Group's business growth and development in the coming years.

2. On July 10, 2020, an aggregate of 130,000,000 placing shares were placed at the placing price of HK$8.15 per placing share, representing 7.07% of the issued share capital of the Company as enlarged by the allotment and issued of the placing shares immediately upon completion of the placing. The net proceeds from the placing, after deduction of the placing commission and other related expenses, amounted to approximately HK$1,050,730,000 (equivalent to RMB948,263,000).

3. On August 8, 2020, Viva Biotech Shanghai entered into the share purchase agreement pursuant to which Viva Biotech Shanghai agreed to acquire 80% of the equity interest in Zhejiang Langhua Pharmaceutical Co., Ltd., at the consideration of RMB2,560,000,000, which will be satisfied by cash.

Employee Remuneration and Relations

As at June 30, 2020, the Group had a total of 798 employee and the total staff costs for the Reporting Period (including directors' emoluments) were RMB86.5 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. We provide training programs to employees, including new hire orientation and continuous on-the-job training in order to accelerate the learning progress and improve the knowledge and skill levels of our employees.

Share Incentive Schemes

The Group has adopted certain pre-IPO share incentive schemes (the "**Pre-IPO Share Incentive Schemes**") in 2009 and 2018 to provide incentives to eligible employees of the Group. During the Reporting Period, 31,270,209 share options were exercised by directors and employees of the Group. As at June 30, 2020, an aggregate of 24,888,454 outstanding share options were exercisable under the Pre-IPO Share Incentive Schemes. As at June 30, 2020, 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, 16,990,000 options have been granted under the Post-IPO Share Option Scheme, no Share has been issued under such options.

Corporate Governance Practices

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

Under the code provision 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.

Save as disclosed above, during the six months ended June 30, 2020, the Company has complied with the CG Code.

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

Model Code for Securities Transactions

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

Upon specific enquiry, all Directors confirmed that they 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 Reporting Period.

REVIEW OF FINANCIAL INFORMATION

Audit Committee

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

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

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

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

APPRECIATION

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

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

Hong Kong, August 31, 2020

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 Ms. Sun Yanyan as non-executive directors; and Mr. Fu Lei, Ms. Li Xiangrong and Mr. Wang Haiguang as independent non-executive directors.