VIVA
维亚生物科技控股集团
VIVA BIOTECH HOLDINGS

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

(Stock code: 1873)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2023 AND PROPOSED AMENDMENTS TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION OF THE COMPANY

FINANCIAL HIGHLIGHTS

	2023	2022	**Change**
	RMB million	*RMB million*	
Revenue	**2,155.6**	2,379.6	(9.4%)
Gross Profit	**738.5**	815.7	(9.5%)
Gross Profit Margin	**34.3%**	34.3%	
Net Loss	**(99.8)**	(504.2)	
Adjusted Non-IFRS Net Profit/(Loss)	**208.8**	(133.9)	
	RMB	*RMB*	
IFRS (Loss) per share			
– Basic	**(0.06)**	(0.28)	
–Diluted	**(0.14)**	(0.28)	
	RMB	*RMB*	
Non-IFRS Profit/(Loss) per share			
– Basic	**0.10**	(0.08)	
– Diluted	**0.09**	(0.08)	

NON-IFRS MEASURE

To supplement the Group's audited condensed consolidated financial statements which are presented in accordance with the IFRS, the Company has provided adjusted Non-IFRS Net Profit/(Loss) 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 to the management of the Company and investors in understanding and assessing underlying business performance and operating trend. By referencing these adjusted financial measures and eliminating the impact of certain unusual, non-recurring, non-cash and/or non-operating items that the Group does not consider indicative of the performance of the Group's business such approach facilitates the assessment of the Group's financial performance by management and investors. However, the presentation of these non-IFRS financial measures is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with the IFRS. You should not view the adjusted results on a stand-alone basis or as a substitute for results under the IFRS.

Additional information is provided below to reconcile adjusted Non-IFRS Net Profit/(Loss).

Adjusted Non-IFRS Net Profit/(Loss)

	2023	2022
	RMB'000	*RMB'000*
Net Loss	**(99,790)**	(504,220)
Add: fair value gain on financial liabilities at fair value through profit or loss ("**FVTPL**")	**(174,323)**	(10,050)
Add: interest expenses of the debt components of the Convertible Bonds	**124,386**	140,232
Add: loss on repurchase of the Convertible Bonds	**222,758**	45,421
Add: transaction costs of restructuring	**36,646**	–
Add: amortization of acquired assets from acquisition	**48,144**	48,367
Add: foreign exchange loss	**51,014**	146,391
Adjusted Non-IFRS Net Profit/(Loss) *(Note i)*	**208,835**	(133,859)

Note:

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

a) Fair value gain on financial liabilities at FVTPL, and amortization of acquired assets, which the management believes are non-cash items;

b) Interest expenses of the debt instruments of the Convertible Bonds, transaction costs of restructuring and foreign exchange loss, which the management believes are non-recurring items or have no direct correlation to the our business operation.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Looking back at 2023, the global biopharmaceutical industry experienced overall pressure in terms of investment and financing due to the impact of increased interest rates on the US dollar and tightened liquidity. Consequently, this placed certain short-term strains on the progress of pipeline advancement and R&D investments for companies engaged in novel drug development. Nevertheless, in the medium and long term, original biopharmaceutical development still maintains a robust growth across the world, with a sustained upward trend in the proportion of R&D and production outsourcing. With a focus on innovation and deep integration of resources, the Group's CRO and CDMO business, based on the research and development of innovative drugs, continued to provide clients with one-stop integrated services from early-stage structure-based drug research and development to commercial drug production.

During the Reporting Period, the cumulative number of clients served by the Group increased to 2,278; the Group's revenue during the Reporting Period decreased by approximately 9.4% from RMB2,379.6 million for the corresponding period of last year to RMB2,155.6 million; and our gross profit decreased by approximately 9.5% from RMB815.7 million for the corresponding period of last year to RMB738.5 million. In 2023, the Group's net loss amounted to RMB99.8 million, a significant improvement from a loss of RMB504.2 million for the corresponding period of last year. Adjusted non-IFRS net loss improved from RMB133.9 million for the corresponding period of last year to an adjusted non-IFRS net profit of RMB208.8 million, representing a significant turnaround from negative to positive. This improvement was corresponding period of last year, which was mainly attributable to the stabilization of valuation of certain incubation portfolio companies of the Group as well as increased profitability as a result of the Group's initiatives to reduce costs and increase efficiency.

In addition, during the Reporting Period, the Group achieved breakthrough progress in overall financing and the introduction of strategic investors. We successfully introduced strategic investors such as Temasek, Highlight Capital, True Light Capital and Investment Corporation of Dubai with a total financing size of nearly US$225 million.

During the Reporting Period, the completion of the Group's financing endeavors and the successful introduction of strategic investors have propelled the Company towards a trajectory of smooth and rapid development. On the one hand, the substantial financing obtained has allowed the Company to fully redeem its previously issued convertible bonds, leading to a substantial improvement in the Company's balance sheet and cash flow. On the other hand, the successful inclusion of strategic investors will play a pivotal role in enhancing corporate governance, facilitating business operation, optimizing investment and financing plans, and driving strategic development. This collective effort will greatly support the Company's long-term growth and the successful implementation and continuous advancement of its integrated strategy.

CRO Business Shows an Attractive Outlook in the Medium to Long Run Despite Slight Fluctuation in the Short Term

In 2023, the Company's revenue from CRO business decreased by approximately 5.6% from RMB895.1 million for the corresponding period of last year to RMB844.9 million, and gross profit from such business decreased by approximately 8.5% from RMB397.3 million for the corresponding period of last year to RMB363.7 million. The revenue for 2023 decreased compared to last year, primarily due to the impact of the global slowdown in biopharmaceutical investment and financing on the R&D of innovative drugs, as well as the strategic contraction of the Company's EFS business. Nevertheless, the Company effectively implemented measures such as cost reduction and efficiency enhancement to maintain a solid profitability for the CRO business.

As at December 31, 2023, the Company has cumulatively more than 65,035 protein structures to our clients, approximately 16,110 of which were newly delivered in 2023, The R&D has accumulated over 1,886 independent drug targets, 8 of which were newly delivered in 2023. Currently, the Company maintains a leading position in the industry worldwide in the field of protein structure analysis. Furthermore, the Company has two key strategies in place. Firstly, it aims to maximize the value from existing customers by fostering synergistic development in biochemistry. Secondly, it is actively enhancing the integration of online digital marketing and offline BD, while expanding its overseas BD team in order to stimulate the recovery and growth of orders. Additionally, the Company is continuously expanding its emerging technology platforms to create new growth drivers and provide sustained support for its existing CRO business. As at the end of the Reporting Period, the Company has introduced several new platforms, including V-DEL technology platform, covalent compound library and molecular glue technology platform, and enhanced the peptide drug development platform. Furthermore, the Company has expanded the services offered by the antibody macromolecule development platform and made initial progress in establishing the XDC platform, that leading to a comprehensive development of drug R&D platform in a more effective way. The cumulative number of CRO clients served had increased to 1,398, including the global top 10 pharmaceutical companies (by reported total revenue for 2023), and revenue from the top ten customers accounted for 25.7% of our total revenue. Clients of our CRO business are geographically diverse, of whom those from overseas contributed approximately 87.1% of our total revenue, representing a year-on-year decrease of approximately 3.7%, and those from Chinese Mainland contributed approximately 12.9% of our total revenue, representing a year-on-year decrease of approximately 16.6%.

During the Reporting Period, our utilization of synchrotron radiation source reached 2,059 hours. The Company established long-term cooperation with 13 synchrotron radiation source centers around the world, which are distributed in ten countries/regions, i.e., Shanghai, China, the United States, Canada, Japan, Australia, the United Kingdom, France, Germany, Switzerland and Taiwan, China, thus guaranteeing uninterrupted data collection all year round.

Expanding CDMO Capacity and Increasing CMC Projects

During the Reporting Period, the Group laid great emphasis on strategic cooperation and synergy with Langhua Pharmaceutical. In particular, we strengthened the capacity expansion and adjusted the business structure of CDMO. In addition, efforts were made to optimize and channel resources towards the CMC business.

In 2023, Langhua Pharmaceutical's revenue amounted to RMB1,310.7 million, representing a year-on-year decrease of approximately 11.7%; and its adjusted gross profit amounted to RMB388.8 million, representing a year-on-year decrease of approximately 10.1%, which was primarily attributable to the impact of the deferred customer order of certain CDMO clients.

As at December 31, 2023, Langhua Pharmaceutical had served a total of 880 clients, with the top ten clients accounting for 51.2% of its total revenue and a 100% retention rate of top ten clients. In addition, Langhua Pharmaceuticals provided CMC and CDMO services to more than a dozen of incubated companies of the Group as well as companies channeled from CRO business. During the Reporting Period, in respect of production capacity, our current available total capacity reaches 860 cubic meters. Furthermore, Langhua Pharmaceuticals plans to establish a new production capacity of 400 cubic meters between 2024 and 2025 to cater to the commercial production of new molecules. The civil engineering project is currently in its final stages, with the workshop's main structure essentially completed. The next phase will involve the procurement and installation of equipment, which expected to commence in 2024. This endeavor will provide sufficient guarantee for the Company's revenue growth with the launch of new products and release of reserved capacity.

The number of CMC projects continues to grow, but the new business is still in the profit ramp-up phase. Since its establishment, CMC has completed and is currently progressing with a total of 183 new drug projects. As at the end of the Reporting Period, the CMC R&D team consisted of 113 members, and CMC generated revenue of nearly RMB56.7 million. During the Reporting Period, the projects channeled by the Group progressed smoothly, and one pipeline has rapidly advanced to Phase III clinical trials, showcasing the success of the Group's integrated strategy. In the future, the Group plans to strengthen BD and channeling efforts for acquiring high-quality CMC projects. By fully utilizing internal project resources and implementing cost reduction measures, the Group aims to achieve a balanced financial outcome for its CMC business. Additionally, in terms of the number of customer orders, external BD accounted for nearly 63.0%, while channeled accounts from VIVA represented approximately 37.0%. In terms of order amount, external BD contributed 31.0%, while channeled accounts from VIVA contributed 69.0%. Based on these figures, it is evident that within the current CMC projects, channeled projects from VIVA tend to generate higher revenue, while external BD projects demonstrate a higher quantity.

Successful Exits of Certain Incubation Portfolio Companies and Future Plans for Incubation Business through Establishment of Investment Funds

During the Reporting Period, the Company achieved complete or partial investment exits from six incubation portfolio companies, realizing corresponding investment returns. In addition, the Company made a new investment and provided incubation support to one startup company through stock-for-stock arrangement. As at December 31, 2023, the Group had invested in a total of 92 portfolio companies. The portfolio companies are mainly from the United States, Canada, Europe and China. 67.0% of the portfolio companies are from North America and 26.0% are from China. The details of the portfolio companies added during the Reporting Period are as follows:

The details of the portfolio company added in 2023 are as follows:

No.	Company Name	Region	Time of Investment	Type	Indications/Primary Technology/Business
1	Full-Life Technologies	PRC	January 2023	Stock-for-stock	A fully integrated international radiopharmaceutical therapy company with cancer as its primary pipeline indication

In 2023, 12 of our portfolio companies completed or was close to completing a new round of financing, raising approximately US$236.0 million in total. The R&D efforts of the portfolio companies were advancing smoothly, with the total number of pipeline projects reaching close to 222, of which 185 pipelines are in the preclinical stage and 37 pipelines in the clinical stage. So far, the Group has successfully realized 13 investment exits or partial exits, and may have an additional 7 potential exits for our portfolio companies in the next one to three years.

As at the end of the Reporting Period, Viva has strategically invested in a series of high-quality assets, including portfolio companies such as Dogma, Arthrosi, Basking, Triumvira, Deka, Mediar, Cybrexa, and VivaVision.

In the future, as these portfolio companies continue to develop successfully, secure ongoing financing, and realize exits, the initial investments will gradually enter the harvesting phase, providing sustained cash returns for the Group.

In addition, the fundraising and the establishment of the Company's early stage incubation fund is progressing in an orderly manner. It also intends to conduct incubation business through the establishment of investment funds in future, so as to mitigate pressure on Group-level liquidity and the appropriation of funds. None of these investments constituted a discloseable transaction under Chapter 14 of the Listing Rules.

TECHNOLOGICAL HIGHLIGHTS AND R&D BREAKTHROUGHS

For our CRO business, we have built several core technological platforms, including: the PROTAC/ molecular glue technology platform, protein production, preparation and structure research platform, Cryo-EM technology platform, membrane protein research technology, drug screening technology, Bioassay platform, computer-aided drug design (CADD) and artificial intelligence in drug discovery (AIDD) platform, antibody/macromolecule development service platform, pharmaceutical chemistry, etc. During the Reporting Period, the Company has introduced several new platforms, including V-DEL technology platform, covalent compound library and molecular glue technology platform, and enhanced the peptide drug development platform. Furthermore, the Company has expanded the services offered by the antibody macromolecule development platform and made initial progress in establishing the XDC platform.

During the Reporting Period, the development of the newly expanded emerging technology platforms within the Company showed promising progress. The V-DEL technology platform has introduced novel library construction strategies and innovative DNA-compatible reactions. Leveraging Viva's extensive experience in non-commercial building block molecules, it has launched various 100-billion grade DEL libraries for cyclic peptides, targeted protein degradation technology, covalent inhibitors and molecular fragment. Furthermore, based on Viva's competitive strength in protein production and structural biology, the platform engages in specialized screening activities driven by artificial intelligence and machine learning to facilitate next-generation data analysis and prediction, and efficiently integrates subsequent validation and synthesis processes to ensure seamless workflow.

Furthermore, regarding the latest progress in the peptide technology platform, it has achieved the capability to synthesize a wide range of peptides. Particularly, it focuses on the synthesis of challenging and technologically advanced peptide chains. Extensive research and technical expertise have been accumulated in peptide coupling, PDC, RDC, monocyclic peptides, stapled peptides, complex multi-cyclic peptides (involving peptide folding and selective folding), biotin-labeled peptides and fluorescent-labeled peptides. Viva's peptide technology platform envisions a collaborative approach with Viva's phage display platform and V-DEL platform, aiming to provide customers with one-stop comprehensive services encompassing the entire process from the discovery and validation of hit peptide chains to the identification and optimization of lead compounds, and ultimately the determination of candidate compounds.

In addition, the Company has made initial strides in establishing the XDC platform, an all-in-one conjugate development platform that integrates Viva's extensive R&D expertise in antibody drugs, peptide drugs, and small molecule chemical drugs. This platform is dedicated to delivering efficient and top-quality services for conjugate development to clients.

For development of Viva's existing emerging technology platforms, computer-aided drug design (CADD) and artificial intelligence in drug discovery (AIDD) platforms have been widely used in various stages of drug development, utilizing physical chemistry models, artificial intelligence algorithms, and leveraging supercomputing clusters. Various methods have been extensively applied in drug discovery. The computational chemistry division of the Company has developed a series of advanced algorithms tailored to specific projects (such as FEP) to address drug design challenges. Application of these cutting-edge technologies has significantly facilitated the progress of drug development projects compared to traditional computational tools and commercial software packages. In addition to traditional small molecule drug design, methods developed by the computational chemistry platform have also been applied to various drug modalities, achieving breakthroughs through experimental validation. This includes the development of antibodies, peptides, RNA-targeted small molecule drugs, and more. Overall, Viva's CADD and AIDD platforms have assembled a talented and multidisciplinary team, primarily consisting of individuals with advanced degrees (Masters and Ph.D.). This team possesses the expertise to develop proprietary algorithms and methods, as well as the capability to explore various drug modalities with the hardware support of computing force from the Shanghai Supercomputing Center.

Besides, in terms of the existing Cryo-EM Single Particle Analysis (SPA) technology, Cryo-EM (Micro-ED) can readily analyze structures that are too large or complicated, such as protein complexes and membrane proteins, which are challenging or even impossible to analyze using conventional approaches such as X-ray crystallography (XRD) or Nuclear Magnetic Resonance (NMR), and it can analyze the structure of macromolecular and micromolecule compounds in their close-to-nature state instead of crystallization with near-atomic resolution, so as to efficiently identify targets and shorten the time required for drug discovery.

Currently, the Company also provides services relevant to PROTAC/molecular glue drug R&D, and revenue generated in this regard accounted for almost 10.42% of total revenue from CRO business. Our services primarily include studies on protein preparation and structure, screening of PROTAC/molecules glue, kinetics, drug metabolism, pharmaceutical chemistry, Bioassay, CADD/AIDD, etc. As at December 31, 2023, the Company has studied more than 50 E3 ligase complexes and delivered 131 PROTAC ternary complex structures. Additionally, the PROTAC business is expected to contribute to the continuous growth of CRO revenue in the future.

Overall, based on the existing technology platforms, the Company aims to serve the increasing demands of more customers, and consistently invests in expanding and integrating emerging technology platforms, thereby achieving channeling and synergy among different platforms, driving continuous growth in CRO revenue, and building a comprehensive and refined FIC drug R&D platform.

STAFF AND FACILITIES

As at December 31, 2023, the Group had a total of 2,077 employees, of whom the number of CRO R&D personnel reached 1,155, and the number of Langhua Pharmaceutical was 689. Remuneration of our employees is determined with reference to market conditions and individual employees' performance, qualification and experience. In line with the performance of the Group and individual employees, a competitive remuneration package is offered to retain employees, including salaries, discretionary bonuses, employee benefits, employee share option scheme and restricted share unit scheme. During the Reporting Period, the relationship between the Group and our employees had been stable, and we had not experienced any strikes or other labor disputes that materially affected our business activities. We provide training programs to employees, including new hire orientation and continuous on-the-job training, in order to accelerate the learning progress and improve the knowledge and skill levels of our employees. The Company has been accelerating the construction of office and laboratory facilities in line with its workforce expansion plans and expanding production capacity to meet the fast-growing business needs, including:

- The Group's new headquarters in Zhoupu, Shanghai with a total area of approximately 40,000 square meters had been put into full operation.

- The incubation center located in Faladi Road, Shanghai has an actual usable area of approximately 7,576 square meters, including 5,552 square meters of laboratory area.

- The park in Chengdu has a GFA of approximately 64,564 square meters, of which 12,210 square meters of properties had been put into use as at December 31, 2023, including 10,800 square meters of laboratory area.

- The novel drug incubation center in Qiantang New District, Hangzhou has a GFA of approximately 77,500 square meters. During the Reporting Period, the Company successfully established a collaboration with a local state-owned enterprise. Initially, the Company held full ownership, but it has now transitioned to a 30% equity participation. In the future, the Company plans to engage in cooperation through a leasing arrangement upon completion of construction.

- A park in Suzhou with a total GFA of approximately 7,545 square meters, including nearly 5,305 square meters of laboratory area.

- A park in Jiaxing with a GFA of approximately 6,362 square meters, including nearly 5,335 square meters of laboratory area.

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

- The factory of Langhua Pharmaceutical in Taizhou, Zhejiang has a GFA of approximately 35,168 square meters, including the Taizhou R&D center with an area of approximately 2,500 square meters. The R&D center of Ningbo Nuobai has an area of approximately 1,300 square meters and the office building of Ningbo Nuobai has an area of approximately 1,500 square meters.

FUTURE STRATEGIES AND OUTLOOK

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

DISCUSSION OF RESULTS OF OPERATION

Revenue

The Group's revenue in the Reporting Period was approximately RMB2,155.6 million, representing a decrease of 9.4% as compared to approximately RMB2,379.6 million in the year ended December 31, 2022, The decline in revenue is primarily attributed to (1) the impact of the slowdown in global biomedical investment on innovative drug development and the Group's strategic contraction of the EFS business; and (2) the customer order deferred within the CDMO division.

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

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Types of goods or services		
Drug discovery services		
– Full-time-equivalent	**671,437**	706,395
– Fee-for-service	**161,135**	134,581
– Service-for equity	**12,304**	54,081
CDMO and commercialization services		
– Fee-for-service	**51,975**	28,492
– Sale of products	**1,258,727**	1,456,082
	2,155,578	2,379,631

While the Group's operation is 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,	
	2023	2022
	RMB'000	*RMB'000*
USA	**812,789**	915,818
European Union	**589,561**	508,471
Chinese Mainland	**323,671**	382,377
Other Asian countries and regions outside of Chinese Mainland	**291,391**	392,800
Africa	**45,029**	64,550
Other countries/regions	**93,137**	115,615
	2,155,578	2,379,631

The decrease of revenue in the Reporting Period as compared to the corresponding period last year was primarily due to a decrease in the revenue of the Group's customers headquartered in the USA and other Asian countries and regions outside of Chinese Mainland.

Cost of Sales

Cost of sales primarily consists of direct labor costs, cost of materials and overhead. Direct labor costs primarily consist of salaries, bonus, welfare, social security costs and share-based compensation, excluding the costs allocated to research and development expenses, as well as those capitalized in contract costs. Cost of sales in the Reporting Period was approximately RMB1,417.1 million, representing a decrease of 9.4% as compared to approximately RMB1,564.0 million for the year ended December 31, 2022. The decrease was in line with the Group's business decline.

Gross Profit and Gross Profit Margin

During the Reporting Period, the Group's gross profit was approximately RMB738.5 million, representing a decrease of 9.5% as compared to approximately RMB815.7 million in the year ended December 31, 2022. The decrease was in line with the Group's business decline. Despite the decline in gross profit, the company has achieved a gross profit margin of 34.3% for the reporting period, which is consistent with last year, owing to its effective implementation of cost reduction and efficiency improvements.

Other Income and Gains

Other income and gains consist primarily of interest income and government grants. During the Reporting Period, the Group recorded other income and gains of approximately RMB87.1 million, representing an increase of 28.8% as compared to approximately RMB67.6 million in the corresponding period last year. The increase was mainly due to the increase in government grant as well as the increase in bank interest income.

Selling and Distribution Expenses

Selling and distribution expenses primarily consist of staff cost, travelling expenses and others. During the Reporting Period, the Group's selling and distribution expenses were approximately RMB132.5 million, representing an increase of 1.3% as compared to approximately RMB130.8 million for the year ended December 31, 2022. The slight increase in selling and distribution expenses reflects the Group's ongoing growth of marketing team.

Administrative Expenses

Administrative expenses primarily consist of administrative staff costs, audit and consultancy fees, office administration expense, depreciation, travelling and transportation expenses and others. During the Reporting Period, the Group's administrative expenses were approximately RMB277.1 million, representing a minor increase of 1.3% as compared to approximately RMB273.6 million for the year ended December 31, 2022.

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 RMB128.0 million, representing a decrease of 5.7% as compared to approximately RMB135.8 million for the year ended December 31, 2022. The decrease in research and development expenses is mainly attributed to the Group's continuous efforts towards cost reduction and personnel optimization.

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

Fair value loss on FVTPL mainly consists of fair value change from the financial products issue by banks and the equity interests in the Group's incubation portfolio companies. The Group's EFS model features sharing of the downside/upside of our customers' intellectual property values, which is primarily reflected by the fair value change of the equity interest in the Group's incubation portfolio companies. Such fair value losses are recorded as FVTPL in the Group's financial statements. As at December 31, 2023, no individual equity interests in the Group's incubation portfolio companies accounted for more than 5% of the Group's total assets.

The Group recorded losses arising from financial assets at FVTPL of approximately RMB11.7 million for the Reporting Period, primarily reflecting the decrease in the fair value of the Group's equity interest in three incubation portfolio companies, Anji Pharmaceuticals Inc., Tabomedex Biosciences, Inc., and VersaPeutics, Inc., as compared to the loss from financial assets at FVTPL of approximately RMB364.2 million for the year ended December 31, 2022.

Impairment Losses under Expected Credit Model, Net of Reversal

Impairment losses under expected credit model, net of reversal reflects impairment loss on trade and other receivables. The Group recorded impairment losses of approximately RMB8.1 million for the Reporting Period, as compared to approximately RMB9.4 million of impairment losses for the year ended December 31, 2022.

Other Expenses

For the Reporting Period, the Group recorded other expenses of approximately RMB321.7 million, as compared to approximately RMB254.0 million for the year ended December 31, 2022. The increase is primarily due to the increased repurchase loss on convertible bonds and the fair value loss on the investment property.

Finance Costs

Finance costs primarily consist of interest on convertible bonds, interest on lease liabilities and interest expenses on loans from banks. For the Reporting Period, the Group's finance costs was approximately RMB176.6 million, representing a decrease of 4.4%, as compared to approximately RMB184.7 million for the year ended December 31, 2022. The decrease is primarily due to the reduced interest expense on convertible bonds resulting from the early repurchase of such bonds.

Fair Value Gain on Financial Liabilities at FVTPL

Fair value gain on financial liabilities at FVTPL primarily consists of changes in fair value of the convertible bonds. For the Reporting Period, the Group recorded fair value gain on financial liabilities at FVTPL of approximately RMB174.3 million regarding the fair value changes of the convertible bonds as compared to approximately RMB10.1 million of gain regarding the fair value changes of the embedded derivative instruments of the convertible bonds for the year ended December 31, 2022.

Income Tax Expense

The Group's income tax expense for the Reporting Period was approximately RMB43.8 million, representing a decrease of 2.9% from approximately RMB45.1 million for the year ended December 31, 2022.

Net Loss and Net Loss Margin

As a result of the foregoing, the Group's net loss for the Reporting Period was approximately RMB99.8 million, as compared to a net loss of approximately RMB504.2 million for the year ended December 31, 2022.

The adjusted non-IFRS net profit of the Group was approximately RMB208.8 million for the Reporting Period as compared to a non-IFRS net loss of approximately RMB133.9 million for the year ended December 31, 2022. Such turnaround was primarily due to the stabilization of the valuation of the Group's equity interest in incubation portfolio companies and the improvement in profitability resulting from cost reduction and efficiency enhancement measures.

Liquidity, Financial Resources and Gearing Ratio

As at December 31, 2023, the Group's total cash and cash equivalents amounted to approximately RMB1,036.3 million, representing an increase of 52.7% as compared to approximately RMB678.6 million as at December 31, 2022. Such increase was primarily due to the release of pledged deposits of approximately RMB546.1 million during the Reporting Period.

As at December 31, 2023, current assets of the Group amounted to approximately RMB2,030.9 million, including a cash and cash equivalents of approximately RMB1,036.3 million. Current liabilities of the Group amounted to approximately RMB1,534.2 million, including bank borrowings of approximately RMB949.5 million. As at December 31, 2023, the Group has RMB1,544.9 million unutilized banking facilities.

As at December 31, 2023, the gearing ratio, calculated as total liabilities over total assets, was approximately 50.5%, as compared with approximately 54.5% as at December 31, 2022. As at December 31, 2023, the Group had approximately RMB1,532.0 million of secured bank borrowings and RMB339.5 million of unsecured bank borrowings, representing an increase of approximately RMB585.2 million as compared to approximately RMB1,286.3 million as at December 31, 2022. The increase was mainly due to more bank facilities having been utilized to support the continuous business expansion, especially the construction activities and financing the acquisition of the 20% equity interest in Langhua Pharmaceutical. Of the Company's bank borrowings during the Reporting Period, approximately RMB949.5 million are repayable on demand or within one year, and approximately RMB922.0 million are repayable in the second to fifth year (inclusive). The Group intends to finance the expansion, investments and business operations with proceeds from its financing activities and internal resources.

Pledge of Assets

As at December 31, 2023, the buildings, the investment property, the right-of-use assets, construction in progress and certain time deposits with a carrying amount of approximately RMB207.1 million, RMB115.5 million, RMB196.0 million, RMB7.1 million and RMB161.7 million, respectively, were pledged to secure certain bank borrowings, letters of credit and notes payable of the Group.

Capital Expenditure

For the Reporting Period, the Group's capital expenditure amounted to approximately RMB158.9 million, which was mainly used for construction of facilities and equipment purchases, as compared to approximately RMB349.8 million for the year ended December 31, 2022. The Group funded its capital expenditure with cash flow generated from its operations and partial proceeds from its fundraising activities.

Future Plan for Material Investment and Capital Assets

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

Contingent Liability

The Group had no material contingent liabilities as at December 31, 2023.

Currency Risk

Certain entities in our Group have foreign currency sales and purchases, which exposes us to foreign currency risk. In addition, certain entities in our Group also have other payables and receivables which are denominated in currencies other than their respective functional currencies. We recorded a net foreign exchange loss of approximately RMB51.0 million and a net foreign exchange loss of approximately RMB146.4 million for the Reporting Period and the year ended December 31, 2022, respectively. We are exposed to the foreign currency of U.S. dollars as part of our revenue was generated from sales denominated in U.S. dollars as well as deposits denominated in U.S. dollars. We purchased various bank foreign exchange wealth management products and forward currency contracts to hedge against our exposure to currency risk during the Reporting Period and up to the date of this announcement while we chose not to designate a hedging relationship and use hedge accounting. Our management will continue to evaluate the Group's foreign exchange risk and take actions as appropriate to minimize the Group's exposure whenever necessary.

Goodwill

As at December 31, 2023, the Group recorded goodwill of approximately RMB2,156.4 million, there was no change as compared to approximately RMB2,156.4 million as at December 31, 2022.

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

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

No impairment loss in relation to goodwill is recognized for the year ended December 31, 2023. The impairment assessment is based on a valuation by an independent professional valuer. Considering there was still sufficient headroom based on the assessment, the management of the Company believes that a reasonably possible change in the key parameters would not cause the carrying amount of the CGUs to exceed its recoverable amount as at December 31, 2023.

SHARE INCENTIVE SCHEMES

The Group has adopted certain Pre-IPO Share Incentive Schemes in 2009 and 2018 to provide incentives to eligible employees of the Group. During the Reporting Period, no share options were exercised by directors and employees of the Group. As at December 31, 2023, an aggregate of 3,665,141 outstanding share options were exercisable under the Pre-IPO Share Incentive Schemes. As at December 31, 2023, outstanding options granted under the Pre-IPO Share Incentive Schemes and shares issued pursuant to the exercise of pre-IPO share options were held by trustees of relevant trusts set up for administering the Group's employee incentive schemes.

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

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

EVENT AFTER REPORTING PERIOD

As at the date of this announcement, the Group has no material subsequent events after December 31, 2023 which are required to be disclosed.

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the Reporting Period, the Company repurchased 8,670,500 shares on the Stock Exchange for an aggregate consideration of approximately HK$11.2 million including expenses. The repurchase 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)*
September 2023	2,288,000	1.31	1.20	2,922
October 2023	6,282,500	1.38	1.22	8,148
November 2023	100,000	1.26	1.26	126
Total	8,670,500			11,197

Note:

(1) Aggregate consideration inclusive of expenses.

The Group repurchasd/redeemed US$250 million of the Convertible Bonds due December 2025 during the Reporting Period for an aggregate consideration of US$256.6 million.

Details of the repurchased/redeemed Convertible Bonds are as follows:

Month of repurchase/redemption	**Principal amount repurchased/ redeemed**	**Aggregate Consideration**[1]
September	US$5,000,000	US$4,982,500
October	US$8,000,000	US$8,071,800
November	US$100,400,000	US$102,733,670
December	US$136,600,000	US$140,807,280
Total	US$250,000,000	US$256,595,250

Note:

(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 listed securities during the Reporting Period.

USE OF PROCEEDS FROM GLOBAL OFFERING

On May 9, 2019, the Shares of the Company were listed on the Main Board of the Stock Exchange. The net proceeds from the Global Offering were approximately RMB1,217.1 million after deducting underwriting commissions and other expenses paid and payable by us in the Global Offering. The Company has announced a change in the intended use of parts of net proceeds from global offering on September 26, 2023. As at December 31, 2023, the details of intended application of net proceeds are set out as follows:

	Approximate % of total net proceeds	Revised use of actual net proceeds	Utilized net proceeds up to December 31, 2022[1]	Proceeds utilized for the year ended December 31, 2023	Utilized net proceeds up to December 31, 2023	Proceeds unused as at December 31, 2023[2]
		RMB'million	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*
Expanding EFS model	25.5%	310.55	303.20	7.35	310.55	–
Building up commercial & research manufacturing capabilities and capacities in CMO	30.0%	365.13	352.09	13.04	365.13	–
Purchasing laboratory equipment and materials	12.1%	146.71	121.71	25.00	146.71	–
Hiring, training and retaining biologics & chemical drug R&D personnel	12.4%	151.29	121.71	29.58	151.29	–
Expanding CMO business	10.0%	121.71	121.71	–	121.71	–
General corporate and working capital	10.0%	121.71	121.71	–	121.71	–

Notes:

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

2. As at December 31, 2023, all net proceeds had been utilized.

USE OF PROCEEDS FROM CONVERTIBLE BONDS

On February 11, 2020, Viva Incubator HK issued the Convertible Bonds due in February 2025. The net proceeds, after deducting the transaction costs of US$2.6 million (equivalent to RMB18.3 million), were US$177.4 million (equivalent to RMB1,256.0 million), and had been utilized as follows as at December 31, 2023:

Business objective as stated in the offering circular	Percentage of total net proceeds	Planned use of actual net proceeds *RMB'million*	Utilized net proceeds up to December 31, 2022 *RMB'million*	Proceeds utilized for the year ended December 31, 2023 *RMB'million*	Utilized net proceeds up to December 31, 2023 *RMB'million*	Proceeds unused as at December 31, 2023 [(1)] *RMB'million*
Business development and expansion	70%	879.19	718.75	160.44	879.19	–
Working capital and general corporate purposes	30%	376.80	376.80	–	376.80	–

On December 30, 2020, Viva Biotech BVI issued the Convertible Bonds due in December 2025. The net proceeds, after deducting the transaction cost of US$4.2 million (equivalent to RMB27.5 million), were US$275.8 million (equivalent to RMB1,801.6 million), and had been utilized as follows at December 31, 2023:

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

Note:

1. As at December 31, 2023, all net proceeds had been utilized.

FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended December 31, 2023 (2022: Nil). As disclosed in the interim results announcement dated August 29, 2023, no other dividend was proposed for the six months ended June 30, 2023.

ANNUAL GENERAL MEETING

The 2024 annual general meeting (the "**2024 AGM**") will be held on Wednesday, June 26, 2024. Notice of the 2024 AGM and all other relevant documents will be published and despatched to Shareholders of the Company in due course.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, June 21, 2024 to Wednesday, June 26, 2024, 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 2024 AGM. In order to be eligible to attend and vote at the 2024 AGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 pm on Thursday, June 20, 2024.

SUFFICIENCY OF PUBLIC FLOAT

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

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of Shareholders and to enhance corporate value and accountability. The Board has adopted the principles and the code provisions of the CG Code contained in Appendix C1 to the Listing Rules to ensure that the Company's business activities and decision making processes are regulated in a proper and prudent manner.

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

REVIEW OF FINANCIAL STATEMENTS

Audit Committee

The Audit Committee of the Company had reviewed together with the management and external auditor the accounting principles and policies adopted by the Company and the audited consolidated financial statements for the year ended December 31, 2023. The Audit Committee confirms that the applicable accounting principles, standards and requirements have been complied with, and that adequate disclosures have been made. The Audit Committee has also discussed the auditing, risk management, internal control and financial reporting matters.

The annual results for the year ended December 31, 2023 have been prepared in accordance with IFRSs.

Scope of Work of Ernst & Young

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended December 31, 2023 as set out in this announcement have been agreed by the Group's auditors, Ernst & Young, to the amounts set out in the Group's audited consolidated financial statements for the year.

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

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, 2023 will be despatched to the Shareholders and published on the aforesaid websites in due course.

APPRECIATION

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

PROPOSED AMENDMENTS TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION OF THE COMPANY

The Board proposes to seek approval from the Shareholders at the 2024 AGM for amendments to the existing second amended and restated memorandum and articles of association of the Company (the "**Articles**") for the purpose of updating and bringing the Articles in line with the amendments to the Listing Rules which mandate the electronic dissemination of corporate communications by listed issuers to their securities holders from December 31, 2023 onwards, as well as other housekeeping changes (the "**Proposed Amendments**"). The Company will seek approval from the Shareholders at the 2024 AGM for the adoption of the third amended and restated memorandum and articles of association of the Company incorporating the Proposed Amendments.

The Proposed Amendments and the adoption of the third amended and restated memorandum and articles of association of the Company are subject to the approval of the Shareholders by way of special resolution at the AGM. A circular containing, among other things, particulars relating to Proposed Amendments together with a notice convening the 2024 AGM will be despatched to the Shareholders according to the applicable law, the Articles and the Listing Rules.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended December 31, 2023

	Notes	2023 RMB'000	2022 RMB'000
REVENUE	3	**2,155,578**	2,379,631
Cost of sales		**(1,417,146)**	(1,563,952)
Gross profit		**738,432**	815,679
Other income and gains	3	**87,053**	67,647
Selling and distribution expenses		**(132,547)**	(130,804)
Administrative expenses		**(277,109)**	(273,649)
Research and development expenses		**(127,967)**	(135,835)
Fair value loss on financial assets at fair value through profit or loss ("**FVTPL**")		**(11,682)**	(364,178)
Impairment losses on financial assets, net		**(8,126)**	(9,411)
Other expenses	4	**(321,748)**	(253,990)
Finance costs	5	**(176,582)**	(184,674)
LOSS BEFORE FAIR VALUE GAIN ON FINANCIAL LIABILITIES AT FVTPL AND TAX		**(230,276)**	(469,215)
Fair value gain on financial liabilities at FVTPL		**174,323**	10,050
LOSS BEFORE TAX	6	**(55,953)**	(459,165)
Income tax expense	7	**(43,837)**	(45,055)
LOSS FOR THE YEAR		**(99,790)**	(504,220)
Attributable to:			
Owners of the parent		**(116,113)**	(528,475)
Non-controlling interests		**16,323**	24,255
		(99,790)	(504,220)
		RMB	*RMB*
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
– Basic		**(0.06)**	(0.28)
– Diluted		**(0.14)**	(0.28)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2023

	2023 *RMB'000*	2022 *RMB'000*
LOSS FOR THE YEAR	**(99,790)**	(504,220)
OTHER COMPREHENSIVE (EXPENSE)/INCOME		
Other comprehensive (expense)/income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	**(23,263)**	91,660
OTHER COMPREHENSIVE (EXPENSE)/INCOME FOR THE YEAR, NET OF TAX	**(23,263)**	91,660
TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR	**(123,053)**	(412,560)
Attributable to:		
Owners of the parent	**(139,469)**	(437,041)
Non-controlling interests	**16,416**	24,481
	(123,053)	(412,560)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2023

	Notes	2023 RMB'000	2022 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**1,350,917**	1,501,711
Investment property		**115,500**	–
Right-of-use assets		**303,614**	435,669
Goodwill		**2,156,419**	2,156,419
Other intangible assets		**420,669**	476,061
Equity investments designated at fair value through other comprehensive income		**500**	–
Investments in an associate		**42,403**	–
Financial assets at FVTPL		**995,281**	1,046,616
Contract assets		**5,248**	6,425
Rental deposits and prepayments	*10*	**7,257**	27,602
Deferred tax assets		**21,186**	18,178
Pledged deposits	*13*	**–**	313,367
Total non-current assets		**5,418,994**	5,982,048
CURRENT ASSETS			
Inventories		**259,707**	326,031
Trade and bills receivables	*11*	**407,405**	445,969
Contract costs		**8,719**	8,447
Prepayments, other receivables and other assets	*12*	**76,540**	85,333
Amounts due from a related party		**80,530**	–
Pledged deposits	*13*	**161,695**	394,458
Cash and cash equivalents	*13*	**1,036,322**	678,569
Total current assets		**2,030,918**	1,938,807
CURRENT LIABILITIES			
Derivative financial instruments		**805**	17,804
Trade and bills payables	*14*	**245,756**	326,130
Other payables and accruals	*15*	**259,818**	326,570
Contract liabilities		**36,423**	44,244
Interest-bearing bank borrowings	*16*	**949,512**	405,292
Lease liabilities		**2,929**	2,270
Income tax payable		**32,021**	41,629
Amounts due to a related party		**6,914**	–
Convertible bonds – debt component		**–**	1,508,618
Total current liabilities		**1,534,178**	2,672,557

	Notes	2023 RMB'000	2022 RMB'000
NET CURRENT ASSETS/(LIABILITIES)		**496,740**	(733,750)
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,915,734**	5,248,298
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	*16*	**922,012**	880,959
Deferred income		**40,858**	47,238
Contract liabilities		**14,165**	25,885
Lease liabilities		**28,764**	25,801
Deferred tax liabilities		**69,192**	92,201
Other non-current liabilities		**1,152,831**	571,500
Total non-current liabilities		**2,227,822**	1,643,584
Net assets		**3,687,912**	3,604,714
EQUITY			
Equity attributable to owners of the parent			
Share capital	*17*	**367**	326
Treasury shares	*17*	**(134,651)**	(134,651)
Equity component of convertible bonds		**–**	426,198
Reserves		**3,822,196**	3,312,841
Total equity		**3,687,912**	3,604,714

NOTES:

1.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended December 31, 2023. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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

1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

IFRS 17	*Insurance Contracts*
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to IAS 8	*Definition of Accounting Estimates*
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to IAS 12	*International Tax Reform – Pillar Two Model Rules*

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

(a) Amendments to IAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.

(b) Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.

(c) Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions.

Prior to the initial application of these amendments, the Group applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. The adoption of amendments to IAS 12 has had no material impact on the Group's financial positions and performance for the current and prior year and/or on the disclosures set out in the consolidated financial information.

(d) Amendments to IAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

1.3 ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not applied the following revised IFRSs, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these revised IFRSs, if applicable, when they become effective.

Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*[1]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current (the "**2020 Amendments**")*[1]
Amendments to IAS 1	*Non-current Liabilities with Covenants (the "**2022 Amendments**")*[1]
Amendments to IAS 7 and IFRS 7	*Supplier Finance Arrangements*[1]
Amendments to IAS 21	*Lack of Exchangeability*[2]

1 Effective for annual periods beginning on or after January 1, 2024

2 Effective for annual periods beginning on or after January 1, 2025

3 No mandatory effective date yet determined but available for adoption

These issued but not yet effective IFRSs are not expected to have any significant impact on the Group's financial statements.

2. OPERATING SEGMENT INFORMATION

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

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

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

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

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

	Drug discovery services *RMB'000*	CDMO and commercialisation services *RMB'000*	Total *RMB'000*
Year ended December 31, 2023			
Segment revenue	844,876	1,310,702	2,155,578
Segment results	363,677	374,755	738,432
Reconciliation:			
Other income and gains			87,053
Selling and distribution expenses			(132,547)
Administrative expenses			(277,109)
Research and development expenses			(127,967)
Fair value loss on financial assets at FVTPL			(11,682)
Fair value gain on financial liabilities at FVTPL			174,323
Impairment losses on financial assets, net			(8,126)
Other expenses			(321,748)
Finance costs			(176,582)
Group's loss before tax			(55,953)
Year ended December 31, 2022			
Segment revenue	895,057	1,484,574	2,379,631
Segment results	397,338	418,341	815,679
Reconciliation:			
Other income and gains			67,647
Selling and distribution expenses			(130,804)
Administrative expenses			(273,649)
Research and development expenses			(135,835)
Fair value loss on financial assets at FVTPL			(364,178)
Fair value gain on financial liabilities at FVTPL			10,050
Impairment losses on financial assets, net			(9,411)
Other expenses			(253,990)
Finance costs			(184,674)
Group's loss before tax			(459,165)

Geographical information

(a) Revenue from external customers

	2023	2022
	RMB'000	*RMB'000*
United States of America ("**USA**")	**812,789**	915,818
European Union	**589,561**	508,471
Chinese Mainland	**323,671**	382,377
Other Asian countries and regions out of Chinese Mainland	**291,391**	392,800
Africa	**45,029**	64,550
Other countries/regions	**93,137**	115,615
Total	**2,155,578**	2,379,631

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

(b) Non-current assets

	2023	2022
	RMB'000	*RMB'000*
Chinese Mainland	**2,239,510**	2,440,518

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

Information about a major customer

Revenue of approximately RMB421,495,000 (2022: RMB431,164,000) was derived from sales by the CDMO and commercialisation services segment to a single customer, including sales to a group of entities which are known to be under common control with that customer.

3. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2023	2022
	RMB'000	*RMB'000*
Revenue from contracts with customers	**2,155,578**	2,379,631

Revenue from contracts with customers

(a) Disaggregated revenue information

For the year ended December 31, 2023

Segments	**Drug discovery services** *RMB'000*	**CDMO and commercialisation services** *RMB'000*	**Total** *RMB'000*
Types of goods or services			
Revenue from non-investees			
FTE services	**637,400**	**–**	**637,400**
FFS services	**141,942**	**23,490**	**165,432**
Sale of products	**–**	**1,258,727**	**1,258,727**
Subtotal	**779,342**	**1,282,217**	**2,061,559**
Revenue from investees			
FTE services	**34,037**	**–**	**34,037**
FFS services	**19,193**	**28,485**	**47,678**
SFE services	**12,304**	**–**	**12,304**
Subtotal	**65,534**	**28,485**	**94,019**
Total revenue from contracts with customers	**844,876**	**1,310,702**	**2,155,578**
Geographical markets			
USA	**642,371**	**170,418**	**812,789**
European Union	**40,622**	**548,939**	**589,561**
Chinese Mainland	**108,701**	**214,970**	**323,671**
Other Asian countries and regions out of Chinese Mainland	**8,307**	**283,084**	**291,391**
Africa	**–**	**45,029**	**45,029**
Other countries/regions	**44,875**	**48,262**	**93,137**
Total revenue from contracts with customers	**844,876**	**1,310,702**	**2,155,578**
Timing of revenue recognition			
Goods/services transferred at a point in time	**161,135**	**1,310,702**	**1,471,837**
Services transferred over time	**683,741**	**–**	**683,741**
Total revenue from contracts with customers	**844,876**	**1,310,702**	**2,155,578**

For the year ended December 31, 2022

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

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

	2023	2022
	RMB'000	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the Reporting Period:		
FFS services	**1,225**	3,796
Sale of products	**16,568**	10,497
Total	**17,793**	14,293

(b) Performance obligations

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

FTE services

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

FFS services

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

SFE services

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

Sale of products

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

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

	2023	2022
	RMB'000	*RMB'000*
SFE services	**37,668**	95,915

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

	2023	2022
	RMB'000	*RMB'000*
Other income		
Interest income		
– banks	**27,374**	21,582
– imputed interest income on rental deposits	**1**	24
Government grants	**55,316**	36,470
Total other income	**82,691**	58,076
Gains		
Gain on modification of convertible bonds	**–**	6,717
Gain on disposal of right-of-use assets	**–**	164
Revenue from sales of raw materials	**1**	1,580
Gain on disposal of a subsidiary	**683**	–
Others	**3,678**	1,110
Total gains	**4,362**	9,571
Total other income and gains	**87,053**	67,647

4. OTHER EXPENSES

	2023	2022
	RMB'000	*RMB'000*
Impairment loss on non-financial assets	**11,366**	6,572
Net foreign exchange loss	**51,014**	146,391
Loss on derivative financial instruments	**8,662**	40,939
Loss on disposal of property, plant and equipment	**399**	2,065
Loss on repurchase of convertible bonds	**222,758**	45,421
Fair value loss on investment property	**13,819**	–
Others	**13,730**	12,602
Total	**321,748**	253,990

5. FINANCE COSTS

	2023	2022
	RMB'000	*RMB'000*
Interest on convertible bonds	**124,386**	140,232
Interest on lease liabilities	**1,426**	1,337
Interest expenses on bank borrowings	**54,148**	48,516
Total interest expense	**179,960**	190,085
Less: Interest capitalised	**3,378**	5,411
Total	**176,582**	184,674

6. LOSS BEFORE TAX

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

	2023	2022
	RMB'000	*RMB'000*
Cost of inventories sold	**872,857**	1,002,739
Cost of services provided	**110,993**	103,021
Depreciation of property, plant and equipment	**142,779**	114,777
Depreciation of right-of-use assets	**13,327**	16,460
Amortisation of other intangible assets	**55,550**	55,597
Less: capitalised in contract costs	**(1,384)**	(1,307)
Less: capitalised in inventories	**(3,161)**	(5,846)
Less: capitalised in property, plant and equipment	**(440)**	(1,380)
	206,671	178,301
Staff cost (including directors' emoluments):		
– Independent non-executive directors' fees	**675**	648
– Salaries and other benefits	**571,920**	683,841
– Retirement benefit scheme contributions	**51,251**	53,310
– Share-based payment expenses	**19,007**	24,817
	642,853	762,616
Less: capitalised in contract costs	**(5,103)**	(5,452)
Less: capitalised in inventories	**(5,624)**	(11,509)
	632,126	745,655
Foreign exchange loss, net	**51,014**	146,391
Write-down of inventories and contract costs	**11,366**	6,572
Fair value loss on derivative financial instruments	**8,662**	40,939
Gain on modification of convertible bonds	**–**	(6,717)
Loss on disposal of items of property, plant and equipment	**399**	2,065
Fair value loss on investment property	**13,819**	–
Gain on disposal of a subsidiary	**(683)**	–
Gain on disposal of right-of-use assets	**–**	(164)
Loss on repurchase of convertible bonds	**222,758**	45,421
Fair value gain on embedded derivative instruments of convertible bonds	**–**	(10,050)
Fair value gain on convertible bonds	**(174,323)**	–
Auditors' remuneration	**4,600**	4,800

7. INCOME TAX

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

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

	2023	2022
	RMB'000	*RMB'000*
Current tax		
– Hong Kong	**4,749**	2,603
– Chinese Mainland	**65,969**	77,989
– Other countries	**–**	232
	70,718	80,824
Deferred tax	**(26,881)**	(35,769)
	43,827	45,055

Cayman Islands/BVI

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

Hong Kong

Hong Kong profits tax has been provided at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK$2,000,000 (2022: HK$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

Chinese Mainland

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

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

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

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

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

Pursuant to Caishui [2023] No.12 "Circular of the Ministry of Finance, the State Administration of Taxation Issued on the Tax Policies for Further Support the Development of Small Low-profit Enterprises and Self-employed Businesses" (財政部稅務總局關於進一步支持小微企業和個體工商戶發展有關稅費政策的公告), Shanghai Dancheng Entrepreneurship Incubator Management Limited ("**Shanghai Dancheng**"), whose annual taxable income is less than RMB1,000,000 will be included in the actual taxable income at 25%, based on which the enterprise income tax payable will be calculated at the reduced tax rate of 20%. This policy has taken effect on January 1, 2023 and will expire on December 31, 2027.

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

USA

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

Australia

Under the Treasury Law Amendment (Enterprise Tax Plan Base Rate Entitles) Bill 2017 of Australia, corporate entity who qualified as a small business entity is eligible for the lower corporate tax rate at 25% from January 1, 2022 to December 31, 2023. The subsidiaries incorporated in Australia are qualified as small business entitles and are subject to the lower company income tax rate on the estimated assessable profits.

United Kingdom

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

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

	2023 ***RMB'000***	2022 *RMB'000*
Loss before tax	**(55,953)**	(459,165)
Tax at the applicable tax rate of 25%	**(13,988)**	(114,791)
Preferential income tax rates applicable to subsidiaries	**(13,574)**	(11,750)
Effect on opening deferred tax of increase in rates	**–**	1,949
Adjustments in respect of current tax of previous years	**(857)**	75
Expenses not deductible for tax	**149,242**	186,571
Additional deduction allowance for research and development expenses	**(21,520)**	(17,911)
Income not subject to tax	**(70,442)**	(4,088)
Effect of different tax rates of subsidiaries operating in other jurisdiction	**11,287**	2,854
Effect of withholding tax on disposal of interest of a subsidiary located in Chinese Mainland	**9,616**	–
Effect of withholding tax at 7% on the interest income from Chinese Mainland	**823**	2,146
Tax charge at the Group's effective rate	**43,837**	45,055

8. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,940,474,000 (2022: 1,915,437,000) in issue during the year.

The calculation of the diluted earnings per share amounts is based on the loss for the year ended December 31, 2023 attributable to ordinary equity holders of the parent, adjusted to reflect the fair value gain on the HK$470,000,000 convertible bond. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year ended December 31, 2023, as used in the basic loss per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed conversion of all dilutive potential ordinary shares into ordinary shares. The diluted loss per share for the year ended December 31, 2023 did not assume the conversion of the US$180,000,000 convertible bonds and US$280,000,000 convertible bonds nor exercise of all batches of share options and restricted share units as their inclusion would be anti-dilutive.

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

The calculations of the basic and diluted loss per share are based on:

	2023	2022
	RMB'000	*RMB'000*
Loss		
Loss attributable to equity holders of the parent, used in the basic and diluted loss per share calculation	**(116,113)**	(528,475)
Less: Fair value gain on the convertible bonds	**174,323**	–
Loss attributable to ordinary equity holders of the parent before the impact of convertible bonds	**(290,436)**	(528,475)

	Number of shares *('000)*	
	2023	2,022
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	**1,940,474**	1,915,437
Effect of dilution – weighted average number of ordinary shares:		
Convertible bonds	**88,205**	–
Total	**2,028,679**	1,915,437

9. DIVIDENDS

The board of directors of the Company did not recommend the distribution of any annual dividend for the year ended December 31, 2023 (2022: Nil).

10. RENTAL DEPOSITS AND PREPAYMENTS

	2023	2022
	RMB'000	*RMB'000*
Prepayments for property, plant and equipment	**6,407**	27,037
Rental deposits	**850**	565
	7,257	27,602

11. TRADE AND BILLS RECEIVABLES

	2023	2022
	RMB'000	*RMB'000*
Trade receivables		
– third parties	**415,362**	447,610
Bills receivables	**12,856**	13,483
Impairment	**(20,813)**	(15,124)
Total	**407,405**	445,969

The Group allows a credit period ranging from 30 to 90 days to its customers (2022: 30 to 90 days). The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

	2023	2022
	RMB'000	*RMB'000*
Within 6 months	**388,912**	428,040
6 months to 1 year	**12,918**	11,967
Over 1 year	**5,575**	5,962
	407,405	445,969

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

	2023	2022
	RMB'000	*RMB'000*
At beginning of year	**15,124**	9,452
Impairment losses, net	**8,126**	6,042
Amount written off as uncollectible	**(2,437)**	(370)
At end of year	**20,813**	15,124

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

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

As at December 31, 2023

	Ageing			
	Less than 6 months	**7 to 12 months**	**Over 12 months**	**Total**
Expected credit loss rate	**1.65%**	**15.11%**	**68.26%**	**4.86%**
Gross carrying amount *(RMB'000)*	**395,438**	**15,217**	**17,563**	**428,218**
Expected credit losses *(RMB'000)*	**6,526**	**2,299**	**11,988**	**20,813**

As at December 31, 2022

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

12. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2023	2022
	RMB'000	*RMB'000*
Other receivables		
– tax refund for export	**12,710**	9,262
– proceeds from disposal of financial assets at FVTPL	**–**	17,000
– capital injection from a non-controlling shareholder	**9,510**	–
– others	**4,161**	4,900
	26,381	31,162
Impairment allowance	**–**	–
Subtotal	**26,381**	31,162
Prepayments	**14,992**	17,978
Prepaid expenses	**5,952**	7,942
Value added tax recoverable	**29,215**	28,251
Total	**76,540**	85,333

None of the above assets is past due. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

13. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2023	2022
	RMB'000	*RMB'000*
Cash and bank balances	**1,036,322**	678,569
Pledged deposits	**161,695**	707,825
	1,198,017	1,386,394
Less:		
Pledged time deposits for letters of credit	**(150,000)**	(668,515)
Pledged time deposits for notes payable	**(11,695)**	(28,826)
Restricted bank balances	**–**	(10,484)
Cash and cash equivalents	**1,036,322**	678,569
Denominated in RMB	**553,055**	390,149
Denominated in US$	**423,658**	265,358
Denominated in HK$	**35,187**	501
Denominated in AU$	**4,388**	8,089
Denominated in GBP	**17,189**	13,363
Denominated in other currencies	**2,845**	1,109
Cash and cash equivalents	**1,036,322**	678,569

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

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

14. TRADE AND BILLS PAYABLES

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

	2023	2022
	RMB'000	*RMB'000*
Within 3 months	**129,454**	227,725
3 months to 1 year	**108,466**	96,628
Over 1 year	**7,836**	1,777
Total	**245,756**	326,130

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

15. OTHER PAYABLES AND ACCRUALS

	2023	2022
	RMB'000	*RMB'000*
Other payables		
– Payable for construction in progress	**101,522**	154,733
– Others	**24,950**	31,465
Subtotal	**126,472**	186,198
Salary and bonus payables	**123,681**	123,953
Other taxes payable	**7,611**	14,366
Interest payable	**2,054**	2,053
Total	**259,818**	326,570

Other payables are non-interest-bearing.

16. INTEREST-BEARING BANK BORROWINGS

	2023			2022		
	Effective interest rate (%)	**Maturity**	***RMB'000***	Effective interest rate (%)	Maturity	*RMB'000*
Current						
Bank loans – unsecured	**One-year 1.20-3.60**	**2024**	**239,529**	One-year 2.5-4.41	2023	323,938
	One-year Loan prime rate ("LPR")-40 Basepoints ("bps")	**2024**	**50,000**	One-year LPR-40 bps	2023	29,000
	–	**–**	**–**	One-year LPR-10bps	2023	21,000
	One-year LPR-20bps	**2024**	**50,000**	–	–	–
Bank loans – secured (a)	**One-year LPR-45bps**	**2024**	**50,000**	–	–	–
Bank loans – secured (b)	**One-year 3.80**	**2024**	**148,500**	–	–	–
Current portion of long term bank loans – secured	**–**	**–**	**–**	Eight-year LPR*110%	2023	202
Current portion of long term bank loans – secured and guaranteed	**–**	**–**	**–**	One-year LPR+50bps	2023	10,000
Current portion of long term bank loans – secured and guaranteed (c)	**One-year LPR+55bps**	**2024**	**192,000**	–	–	–
Current portion of long term bank loans – secured and guaranteed (c)	**One-year LPR-45bps**	**2024**	**100,000**	–	–	–
Current portion of long term bank loans – secured (d)	**One-year LPR-10bps**	**2024**	**84,843**	One-year LPR-10bps	2023	21,152
Current portion of long term bank loans – secured (d)	**Five-year LPR+10bps**	**2024**	**34,640**	–	–	–
			949,512			405,292

	2023			2022		
	Effective interest rate (%)	**Maturity**	***RMB'000***	Effective interest rate (%)	Maturity	*RMB'000*
Non-current						
Bank loans – secured and guaranteed	**–**	**–**	**–**	One-year LPR+50 bps	2024-2025	546,000
Bank loans – secured and guaranteed (c)	**One-year LPR+55bps**	**2025-2026**	**448,000**	–	–	–
Bank loans – secured and guaranteed (c)	**One-year LPR-45 bps**	**2028**	**156,000**	–	–	–
Bank loans – secured (d)	**Five-year LPR+10 bps**	**2025**	**34,640**	Five-year LPR+10 bps	2024-2026	43,794
Bank loans – secured (d)	**Five-year LPR+10 bps**	**2026-2027**	**115,684**	Five-year LPR+10 bps	2024-2027	56,320
Bank loans – secured and guaranteed (d)	**One-year LPR-10 bps**	**2026**	**167,688**	One-year LPR-10 bps	2024-2026	234,845
			922,012			880,959
			1,871,524			1,286,251

	2023	2022
	RMB'000	*RMB'000*
Analysed into:		
Bank loans and overdrafts repayable:		
Within one year or on demand	**949,512**	405,292
In the second year	**493,777**	608,282
In the third to sixth years, inclusive	**428,235**	272,677
	1,871,524	1,286,251

Notes:

(a) The bank loans incurred are pledged by a patent of the Group as collateral.

(b) The bank loans incurred are pledged with deposits of RMB150,000,000 of the Group as collateral.

(c) To finance the acquisition of the 20% equity interest in Langhua Pharmaceutical, the bank loans incurred are pledged with 100% equity interest in Langhua Pharmaceutical as collateral and guaranteed by the Company. In addition, the investment property with carrying amount of approximately RMB115,500,000 was also pledged as collateral to secure such bank borrowing at December 31, 2023.

(d) Certain property, plant and equipment as well as the right-of-use assets of the Group at December 31, 2023 and 2022 that have been pledged as collateral to secure the bank borrowings in relation to construction of the Group.

17. SHARE CAPITAL/TREASURY SHARES

Shares

	2023	2022
	RMB'000	*RMB'000*
Issued and fully paid:		
2,161,366,305 shares of US$0.000025 each (2022: 1,935,036,805 shares of US$0.000025 each) ordinary shares	**367**	326

Share capital

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

	Number of shares in issue	**Share capital**
		RMB'000
At January 1, 2022, December 31, 2022 and January 1, 2023	1,935,036,805	326
Share repurchase and cancellation*	(8,670,500)	(1)
Share issued upon conversion of convertible bonds	235,000,000	42
At December 31, 2023	2,161,366,305	367

* The Company exercised its powers under the repurchase mandate to repurchase shares of the Company passed on June 30, 2023 at the annual general meeting of the Company. A total of 8,670,500 shares were repurchased at a total consideration of HK$11,197,000 (equivalent to approximately RMB10,274,000) for the year ended December 31, 2023 (2022: nil) and then were cancelled.

Treasury shares

	Number of shares repurchased	**Treasury shares**
		RMB'000
At December 31, 2022, January 1, 2023 and December 31, 2023	19,600,000	134,651

DEFINITIONS

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

"2024 AGM"	the 2024 annual general meeting of the Company to be held on Wednesday, June 26, 2024
"API"	active pharmaceutical ingredients
"Articles of Association"	the articles of association of the Company, as amended from time to time
"Audit Committee"	the audit committee of the Board of Directors
"BVI"	the British Virgin Islands
"Board of Directors" or "Board"	the board of Directors of the Company
"CDMO"	contract development manufacture organization
"CG Code"	the Corporate Governance Code contained in Appendix C1 to the Listing Rules
"CGU"	cash-generating units
"CMC"	chemistry, manufacturing and control
"China" or "PRC"	the People's Republic of China, which, for the purpose of this annual report and for geographical reference only, excludes Hong Kong, Macau and Taiwan
"Company" or "our Company"	Viva Biotech Holdings (维亚生物科技控股集团), an exempted company with limited liability incorporated in the Cayman Islands on August 27, 2008
"Convertible Bonds due December 2025"	US$280 million 1.00% guaranteed convertible bonds due December 2025 issued by Viva Biotech BVI with the debt stock code 40514
"Convertible Bonds due February 2025"	US$180 million 2.50% guaranteed convertible bonds due February 2025 issued by Viva Incubator HK with the debt stock code 40144
"CRO"	contract research organization
"CXO"	contract organization providing a range of contract functions including those provided by CRO and CDMO

"Directors"	the director(s) of the Company or any one of them
"GFA"	gross floor area
"Global Offering"	has the meaning ascribed to it under the Prospectus
"Group", "our Group", "we" or "us"	the Company and its subsidiaries from time to time or, where the context so requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"HK$"	Hong Kong dollars and cents, each being the lawful currency of Hong Kong
"IFRS"	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
"Langhua Pharmaceutical"	Zhejiang Langhua Pharmaceutical Co., Ltd.
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
"Model Code"	the "Model Code for Securities Transactions by Directors of Listed Issuers" set out in Appendix C3 to the Listing Rules
"Post-IPO Share Option Scheme"	the post-IPO share option scheme approved and adopted by the Company on April 14, 2019 and modified on June 24, 2022
"Pre-IPO Share Incentive Scheme(s)"	the pre-IPO stock incentive plans approved and adopted by the Company on July 1, 2009 and June 21, 2018
"Prospectus"	the prospectus of the Company dated April 25, 2019
"R&D"	research and development
"Reporting Period" or "Year"	the year ended December 31, 2023

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

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

Hong Kong, March 28, 2024

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