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

2019

Interim Report

CONTENTS

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. MAO Chen Cheney *(Chairman of the Board)*
Mr. WU Ying
Mr. HUA Fengmao
Mr. REN Delin

Non-executive Directors

Ms. MAO Jun
Mr. John WU Jiong

Independent Non-executive Directors

Mr. FU Lei
Ms. LI Xiangrong
Mr. WANG Haiguang

AUDIT COMMITTEE

Ms. LI Xiangrong *(Chairman)*
Mr. WANG Haiguang
Mr. FU Lei

REMUNERATION COMMITTEE

Ms. LI Xiangrong *(Chairman)*
Mr. WANG Haiguang
Mr. FU Lei

NOMINATION COMMITTEE

Mr. MAO Chen Cheney *(Chairman)*
Mr. WANG Haiguang
Mr. FU Lei

JOINT COMPANY SECRETARIES

Ms. FEI Xiaoyu
Ms. CHAU Hing Ling *(a fellow member of the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries)*

AUTHORIZED REPRESENTATIVES

Mr. HUA Fengmao
Ms. CHAU Hing Ling *(a fellow member of the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries)*

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountant

LEGAL ADVISERS

O'Melveny & Myers *(as to Hong Kong law)*
Maples and Calder (Hong Kong) LLP *(as to Cayman Islands laws)*

COMPLIANCE ADVISER

Guotai Junan Capital Limited

PRINCIPAL BANKS

Agricultural Bank of China Shanghai Branch
The Hongkong and Shanghai Banking Corporation Limited
Bank of China (Hong Kong) Limited
JPMorgan Chase Bank, N.A.
Citibank N.A., Hong Kong Branch

REGISTERED OFFICE

PO Box 309
Ugland House
Grand Cayman, KY1-1104
Cayman Islands

CORPORATE HEADQUARTERS

334 Aidisheng Road
Zhangjiang High-Tech Park
Pudong New District
Shanghai, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1901, 19/F
Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

PRINCIPAL SHARE REGISTRAR

Maples Fund Services (Cayman) Limited
PO Box 1093, Boundary Hall
Cricket Square
Grand Cayman, KY1-1102
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

STOCK CODE

1873

COMPANY'S WEBSITE

www.vivabiotech.com

LISTING DATE

May 9, 2019

Management Discussion and Analysis

BUSINESS REVIEW

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

CFS business model

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

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

EFS business model

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

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

No.	Company Name	Type	Time of investment/ incubation agreement	Indications/ Primary Technology/Business	Shareholding % received as at June 30, 2019
1	Versachem, Inc	EFS	2019/05	First-in-class small molecule drug therapeutic for acute and recent Spinal Cord Injury (SCI)	23.17%
2	Bright Angel Therapeutics, Inc.	EFS	2019/06	Focusing on tackling the problem of resistance to current antifungal therapies via the development of new drugs for infectious diseases	0%*
3	Mebias Discovery, Inc.	EFS	2019/06	Developing a platform to discover novel biased GPCR drugs with an improved therapeutic index	5.23%
4	Proviva Therapeutics, Inc.	EFS	2019/06	A pro-cytokine (Zitokine) fusion protein platform, for the treatment of cancer and infectious diseases	10.95%
5	Panacea Biotherapeutics Inc.	EFS	2019/06	Developing innovative ferroptosis inducer drugs with novel structures for sensitization/combination of anticancer drugs	0%*
6	AcuraStem, Inc.	Strategic investment	2019/06	First-in-class drug discovery to cure Neurodegenerative Diseases including Lou Gehrig's Disease (ALS) and Frontotemporal Dementia (FTD)	0%*

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

None of these investments constituted discloseable transaction under chapter 14 of the Listing Rules.

Technology platforms and facilities

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

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

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

Scientist team and business partners

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

FUTURE OUTLOOK

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

ACTIVELY IMPROVING CAPABILITIES OF TECHNOLOGY PLATFORMS AND INCUBATION PLATFORM

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

"SERVICE + CAPITAL" MULTI-DIMENSIONAL LAYOUT ALONGSIDE WITH INDUSTRY CHAIN INTEGRATION

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

DISCUSSION OF RESULT OF OPERATION

Revenue

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

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

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

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

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

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

Cost of Services

Cost of services primarily consists of direct labor costs, cost of materials and overhead. Direct labor costs primarily consist of salaries, bonus, welfare, social security costs and share-based compensation for our R&D talents, excluding the costs allocated to research and development expenses, as well as those capitalized in contract costs. Cost of services in the Reporting Period was approximately RMB70.5 million, representing an increase of 100.9% as compared to approximately RMB35.1 million in the corresponding period last year. The increase was in line with the Group's business growth.

Gross Profit and Gross Profit Margin

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

Other Income

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

Other Gains and Losses

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

Research and Development Expenses

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

Selling and Marketing Expenses

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

Administrative Expenses

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

Listing Expenses

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

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

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

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

Impairment Losses under Expected Credit Model, Net of Reversal

Impairment losses under expected credit model, net of reversal reflects impairment loss on trade receivables. The Group recorded impairment losses of approximately RMB1.3 million for the Reporting Period, as compared to approximately RMB18,000 of impairment losses reversed for the corresponding period last year.

Share of Loss of Associates

For the Reporting Period, the Group recorded share of loss of associates of approximately RMB34,000, as compared to approximately RMB1.2 million for the corresponding period last year. The decrease primarily represented the Group's decreased share of loss in two of its incubation portfolio companies, QureBio Limited and Shanghai Yinglaiteng Medical Research Ltd.

Share of Loss of Joint Ventures

For the Reporting Period, the Group recorded share of loss of joint ventures of approximately RMB1.0 million, as compared to approximately RMB28,000 for the corresponding period last year. The increase primarily represented the Group's increased share of loss in one of its incubation portfolio companies, Jiaxing Youbo Biotech Co., Ltd.

Finance Cost

Finance cost primarily consists of interest on lease liabilities, interest expenses on loans from banks and related parties. For the Reporting Period, the Group's finance cost was approximately RMB0.9 million, representing an increase of 78.3%, as compared to approximately RMB0.5 million for the corresponding period last year. The increase was mainly due to an approximately RMB0.8 million increase in rental interest payment as the Group applied IFRS 16 for the first time in the Reporting Period.

Fair Value Loss on Financial Liabilities at FVTPL

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

Income Tax Expense

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

Net Profit and Net Profit Margin

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

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

Liquidity and Financial Resources

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

As at June 30, 2019, current assets of the Group amounted to approximately RMB1,324.3 million, including a cash and cash equivalents of approximately RMB1,249.3 million. Current liabilities of the Group amounted to approximately RMB67.2 million, including bank borrowings of approximately RMB510,000.

Gearing ratio is calculated on the basis of total borrowings (net of cash and cash equivalents) over the Group's total equity. As the Group's cash and cash equivalents exceeds its borrowings as of June 30, 2019, the resulting gearing ratio is nil.

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

Significant Investment, Material Acquisitions and Disposals

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

Pledge of Assets

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

Capital Expenditure

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

Contingent Liabilities

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

Future Plan for Material Investment and Capital Assets

Save as disclosed in this interim report and the Prospectus, the Group does not have other plans for material investments and capital assets for Reporting Period and up to the date of this interim report.

Currency Risk, Funding and Treasury Policy

The Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

Certain entities in our Group have foreign currency sales and purchases, which exposes us to foreign currency risk. In addition, certain entities in our Group also have other payables and receivables which are denominated in currencies other than their respective functional currencies. We recorded a net foreign exchange gain of approximately RMB15.5 million and approximately RMB4.5 million for the Reporting Period and the corresponding period last year, respectively. We are exposed to the foreign currency of U.S. dollars as part of our revenue was generated from sales denominated in U.S. dollars. We did not use any derivative contracts to hedge against our exposure to currency risk during the Reporting Period. Management will continue to evaluate the Group's foreign exchange risk and take actions as appropriate to minimise the Group's exposure whenever necessary.

EMPLOYEE REMUNERATION AND RELATIONS

As at June 30, 2019, the Group had a total of 532 employee and the total staff costs for the Reporting Period (including directors' emoluments) were RMB67.3 million. Remuneration of our employee is determined with reference to market conditions and individual employees' performance, qualification and experience. In line with the performance of the Group and individual employees, a competitive remuneration package is offered to retain employees, including salaries, discretionary bonuses and contributions to benefit plans (including pensions). During the Reporting Period, the relationship between the Group and our employees has been stable. We had not experienced any strikes or other labor disputes which materially affected our business activities. 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.

Supplementary Information

INTERIM DIVIDEND

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

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company was closed from September 11, 2019 to September 13, 2019 (both dates inclusive). In order to qualify for the interim dividend, all transfers, accompanied by the relevant share certificates, must have been lodged with the Company's Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration before 4:30 p.m. on September 10, 2019.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

Business objective as stated in the Prospectus	**Percentage of total net proceeds**	**Planned use of actual net proceeds**[1]	**Actual use of net proceeds during the period from the Listing Date to June 30, 2019**	**Proceeds unused**[2]	**Intended use of the proceeds**[3]
		RMB'million	*RMB'million*	*RMB'million*	*RMB'million*
Expanding EFS model	30%	365.13	20.8	344.33	344.33
Building up commercial & research manufacturing capabilities and capacities in contract manufacturing organization ("**CMO**")	30%	365.13	0	365.13	365.13
Purchasing laboratory equipment and materials	10%	121.71	19.5	102.21	102.21
Hiring, training and retaining biologics & chemical drug R&D personnel	10%	121.71	10.9	110.81	110.81
Expanding CMO business	10%	121.71	0	121.71	121.71
General corporate and working capital	10%	121.71	20.0	101.71	101.71

Notes:

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

2. As at June 30, 2019, net proceeds not yet utilized were deposited with certain licensed banks in Hong Kong or the PRC.

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

CORPORATE GOVERNANCE PRACTICES

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

As the shares of the Company were listed on the Stock Exchange on May 9, 2019, the CG Code did not apply to the Company during the period before the Listing Date. In the opinion of the Directors, the Company has complied with the relevant code provisions contained in the CG Code during the period from the Listing Date to June 30, 2019.

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

REVIEW OF FINANCIAL INFORMATION

Audit Committee

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

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

CHANGES IN THE BOARD AND THE DIRECTORS' INFORMATION

There was no change in the Board and the information of Directors since the Listing Date of the Company which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

CONTINUING DISCLOSURE OBLIGATION PURSUANT TO THE LISTING RULES

Save as disclosed in this interim report, the Company does not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

INTERESTS OF THE DIRECTORS AND CHIEF EXECUTIVE IN SECURITIES

As at June 30, 2019, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Long position in ordinary Shares

Name of Director	Capacity	Number of ordinary shares interested[(1)]	Approximate percentage+ of the Company's issued share capital
Mr. Mao Chen Cheney [(2)]	Beneficial owner	351,910,365 (L)	22.05%
	Trustee	87,782,186 (L)	5.50%
	Beneficiary of a trust (other than a discretionary interest)	41,425,976 (L)	2.60%
Mr. Hua Fengmao [(3)]	Interest in controlled corporation	123,857,056 (L)	7.76%
	Beneficial owner	10,533,863 (L)	0.66%
Ms. Mao Jun [(4)]	Beneficiary of a trust (other than a discretionary interest)	316,696,136 (L)	19.84%
Mr. Wu John Jiong [(5)]	Interest in controlled corporation	255,784,592 (L)	16.02%
Mr. Wu Ying [(6)]	Beneficiary of a trust (other than a discretionary interest)	18,469,373 (L)	1.16%
	Interest of spouse	4,169,654 (L)	0.26%
Mr. Ren Delin [(7)]	Beneficiary of a trust (other than a discretionary interest)	16,020,248 (L)	1.00%

Notes:

(1) The letter "L" denotes the person's long position in the Shares.

(2) Mr. Mao is the settlor and trustee of the Mao Investment Trust and is interested in the Shares held by him in his capacity as trustee of the Mao Investment Trust. Also Mr. Mao is the investment manager of the Min Zhou 2018 Family Trust and the manager of MZFT, LLC who exercises the voting rights of the Shares directly held by MZFT, LLC. Mr. Mao is also a beneficiary of Min Zhou 2018 Family Trust.

(3) Mr. Hua holds 100.00% equity interest in China Finance Strategies. Therefore, Mr. Hua is deemed to be interested in the Shares directly held by China Finance Strategies.

(4) Each of Mao and Sons, and Zhang and Sons is indirectly wholly-owned by Intertrust (Singapore) Ltd. as the trustee of the Z&M Trust (whose interest is held through Z&M International Holdings Limited). Each of JL and JSW Holding Limited, MENGL Holding Limited, TIANL Holding Limited and VVBI Limited is indirectly wholly-owned by Intertrust (Singapore) Ltd. as the trustee of the VVBI Trust (whose interest is held through VVBI Holdings Limited). Each of the Z&M Trust and the VVBI Trust is a revocable family trust set up by Ms. Mao as settlor and protector. Ms. Mao is also a beneficiary of the relevant family trusts. Therefore, Ms. Mao is deemed to be interested in the Shares directly held by each of Mao and Sons, Zhang and Sons, JL and JSW Holding Limited, MENGL Holding Limited, TIANL Holding Limited and VVBI Limited.

(5) Mr. John Wu Jiong holds 100.00% equity interest in each of Fenghe Harvest and Wu and Sons. In addition, Mr. John Wu Jiong holds 45.00% equity interest in FengHe Canary. Therefore, Mr. John Wu Jiong is deemed to be interested in the Shares directly held by Fenghe Harvest, Wu and Sons and FengHe Canary.

(6) Mr. Wu Ying is a beneficiary of Vivastar Trust Scheme and he is the spouse of Ms. Zhao Huixin. Under the SFO, Mr. Wu Ying is deemed to be interested in the same number of Shares in which Ms. Zhao Huixin is interested in.

(7) Mr. Ren Delin is a beneficiary of Vivastar Trust Scheme.

\+ The percentage represents the number of ordinary shares/underlying shares interested divided by the number of the Company's issued shares as at June 30, 2019.

(ii) Interests in associated corporations of the Company

Name of Director	Name of associated corporation	Capacity/nature of interest	Class of shares in which interested	Number of shares	Percentage of shareholding of the class
Mr. Mao Chen Cheney	Anji Pharmaceuticals Inc. (2)	Interest in controlled corporation	Ordinary	12,398,500 (L)	24.80%
	Clues Therapeutics Inc. (2)	Interest in controlled corporation	Ordinary	16,000,000 (L)	14.00%
Mr. Hua Fengmao	Anji Pharmaceuticals Inc. (3)	Interest in controlled corporation	Series seed preferred shares	1,500,000 (L)	7.06%
	Anji Pharmaceuticals Inc. (3)	Interest in controlled corporation	Ordinary	4,093,500 (L)	8.19%
	Clues Therapeutics Inc. (3)	Interest in controlled corporation	Ordinary	6,400,000 (L)	5.60%
Ms. Mao Jun	Anji Pharmaceuticals Inc. (4)	Interest in controlled corporation	Series A-2 preferred shares	8,718,750 (L)	41.67%
	Anji Pharmaceuticals Inc. (4)	Beneficiary of a trust (other than a discretionary interest)	Series seed preferred shares	5,000,000 (L)	23.53%
	Anji Pharmaceuticals Inc. (4)	Beneficiary of a trust (other than a discretionary interest)	Ordinary	10,117,000 (L)	20.23%
	Clues Therapeutics Inc. (6)	Beneficiary of a trust (other than a discretionary interest)	Ordinary	8,000,000 (L)	7.00%

Name of Director	Name of associated corporation	Capacity/nature of interest	Class of shares in which interested	Number of shares	Percentage of shareholding of the class
Mr. Wu John Jiong	Anji Pharmaceuticals Inc. (5)	Interest in controlled corporation	Series seed preferred shares	375,000 (L)	1.76%
	Anji Pharmaceuticals Inc. (5)	Interest in controlled corporation	Ordinary	8,187,500 (L)	16.38%
	Clues Therapeutics Inc. (5)	Interest in controlled corporation	Ordinary	13,714,286 (L)	12.00%

Notes:

(1) The letter "L" denotes the person's long position in the shares.

(2) Mr. Mao holds 100.0% equity interest in Chencheney Ltd. Therefore, Mr. Mao is deemed to be interested in the shares of Anji Pharmaceuticals and Clues Therapeutics directly held by Chencheney Ltd.

(3) Mr. Hua holds 100.0% equity interest in H&D Biotech Investment Limited. Therefore, Mr. Hua is deemed to be interested in the shares of Anji Pharmaceuticals and Clues Therapeutics directly held by H&D Biotech Investment Limited.

(4) Each of Mao and Sons, Zhang and Sons is indirectly wholly-owned by Intertrust (Singapore) Ltd. as the trustee of the Z&M Trust. Ms. Mao is the settlor, protector and a beneficiary of the Z&M Trust. Therefore, Ms. Mao is deemed to be interested in the shares of Anji Pharmaceuticals directly held by Zhang and Sons and Mao and Sons.

(5) Mr. John Wu Jiong holds 100.0% equity interest in each of Fenghe Harvest and Wu and Sons. Therefore, Mr. John Wu Jiong is deemed to be interested in the shares of Anji Pharmaceuticals and Clues Therapeutics directly held by Fenghe Harvest and Wu and Sons.

(6) Zhang and Sons is indirectly wholly-owned by Intertrust (Singapore) Ltd. as the trustee of the Z&M Trust (whose interest is held through Z&M International Holdings Limited). Ms. Mao is the settlor, protector and a beneficiary of the Z&M Trust. Therefore, Ms. Mao is deemed to be interested in the shares of Clues Therapeutics directly held by Zhang and Sons.

Save as disclosed in this interim report and to the best knowledge of the Directors, as at June 30, 2019, none of the Directors or the chief executive of the Company has any interests and/or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

So far as is known to any Director or chief executive of the Company, as at June 30, 2019, the following corporations/persons (other than the Directors or the chief executive of the Company) had interests of 5% or more in the issued shares of the Company according to the register of interests required to be kept by the Company under section 336 of the SFO:

Name	Capacity	Number of ordinary shares interested(1)	Approximate percentage+ of the Company's issued share capital
Zhang and Sons Limited(2)	Beneficial owner	159,433,021 (L)	9.99%
Fenghe Harvest Ltd(3)	Beneficial owner	154,821,323 (L)	9.70%
China Finance Strategies Investment DB Limited(4)	Beneficial owner	123,857,056 (L)	7.76%
Wu and Sons Limited(2)	Beneficial owner	94,045,721 (L)	5.89%
Z&M International Holdings Limited(2)	Interest in controlled corporation	210,371,206 (L)	13.18%
Intertrust (Singapore) Ltd.(2)	Trustee	228,913,950 (L)	14.34%

Notes:

(1) The letter "L" denotes the person's long position in the Shares.

(2) Each of Mao and Sons, and Zhang and Sons is indirectly wholly-owned by Intertrust (Singapore) Ltd. as the trustee of the Z&M Trust (whose interest is held through Z&M International Holdings Limited). Each of JL and JSW Holding Limited, MENGL Holding Limited, TIANL Holding Limited and VVBI Limited is indirectly wholly-owned by Intertrust (Singapore) Ltd. as the trustee of the VVBI Trust (whose interest is held through VVBI Holdings Limited). Each of the Z&M Trust and the VVBI Trust is a revocable family trust set up by Ms. Mao as settlor and protector. Ms. Mao is also a beneficiary of the relevant family trusts. Therefore, Ms. Mao is deemed to be interested in the Shares directly held by each of Mao and Sons, Zhang and Sons, JL and JSW Holding Limited, MENGL Holding Limited, TIANL Holding Limited and VVBI Limited.

(3) Mr. John Wu Jiong holds 100.00% equity interest in each of Fenghe Harvest and Wu and Sons. In addition, Mr. John Wu Jiong holds 45.00% equity interest in FengHe Canary. Therefore, Mr. John Wu Jiong is deemed to be interested in the Shares directly held by Fenghe Harvest, Wu and Sons and FengHe Canary.

(4) Mr. Hua holds 100.00% equity interest in China Finance Strategies. Therefore, Mr. Hua is deemed to be interested in the Shares directly held by China Finance Strategies.

\+ The percentage represents the number of ordinary Shares interested divided by the number of the issued Shares as at June 30, 2019.

Save as disclosed above and to the best knowledge of the Directors, as at June 30, 2019, no person (other than the Directors or chief executives of the Company) had registered an interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

SHARE INCENTIVE SCHEMES

1. Pre-IPO Share Incentive Schemes

(a) Purpose and Principal Terms

The purposes of the 2009 Stock Incentive Plan, the 2018 Stock Incentive Plan and the Pre-IPO Stock Incentive Plan are to enable the Group to grant options or awards to eligible persons (as determined by the Board or any committee designated by the Board to administer the scheme the "**Administrator**") including employees, directors and consultants of the Company or any related entity for purpose of attracting and retaining the best available personnel. The principal terms of the 2009 Stock Incentive Plan, the 2018 Stock Incentive Plan and the Pre-IPO Stock Incentive Plan are substantially the same, except for the maximum number of Shares which may be issued under each plan. The principal terms of the Pre-IPO Share Incentive Schemes are as follows:

(i) Subject to any alterations set out under the Pre-IPO Share Incentive Schemes in the event of any share split, reverse share split, share dividend, combination or reclassification of Shares, increase or decrease of issued Shares effected without receipt of consideration by the Company and certain corporate transactions, the maximum number of Shares in respect of which options or awards may be granted under the 2009 Stock Incentive Plan, the 2018 Stock Incentive Plan and the Pre-IPO Stock Incentive Plan shall be 270,937,302 Shares (as adjusted for the increase in the number of issued shares resulting from a share split in January 2010 and adjusted after the capitalization issue), 57,892,351 Shares (adjusted after the capitalization issue) and 2,194,555 Shares (adjusted after the capitalization issue), respectively, in an aggregate representing approximately 22.07% of the issued share capital of the Company immediately before completion of the Global Offering but after completion of the capitalization issue;

(ii) No option or award under the Pre-IPO Share Incentive Schemes will be granted after Listing;

(iii) No consideration were paid by the grantees for the options and awards granted under the Pre-IPO Share Incentive Schemes;

(iv) Subject to the terms of the Pre-IPO Share Incentive Schemes and the terms set out in the notice of stock option award and the stock option award agreement entered into at the time of grant (the "**Stock Option Award Agreements**"), (i) if the option ("**Qualified Incentive Share Option**") is intended to qualify as an incentive stock option within the meaning of Section 422 of the Internal Revenue Code of 1986 (as amended) (the "**Code**"), it may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will or by the laws of descent or distribution and may be exercised, during the lifetime of the grantee, only by the grantee; (ii) if the option is not intended to qualify as a Qualified Incentive Share Option ("**Non-qualified Incentive Share Option**"), it shall be transferable (a) by will and by the laws of descent and distribution and (b) during the lifetime of the grantee, to the extent and in the manner authorized by the Administrator. Notwithstanding the foregoing, the grantee may designate one or more beneficiaries of the grantee's award in the event of the grantee's death;

(v) Subject to the terms of the Pre-IPO Share Incentive Schemes and the terms set out in the Stock Option Award Agreements, the options and awards under the Pre-IPO Share Incentive Schemes shall automatically become fully vested and exercisable and be released from any repurchase or forfeiture rights (other than repurchase rights exercisable at fair market value) for all of awards outstanding or to the extent not assumed or replaced (as applicable) in the event of change of control or certain corporate transactions as defined under the Pre-IPO Share Incentive Schemes;

(vi) Subject to the terms of the Pre-IPO Share Incentive Schemes and the terms set out in the Stock Option Award Agreements, the options and awards under the Pre-IPO Share Incentive Schemes, (i) in the case of a Qualified Incentive Share Option, (a) if granted to an employee who, at the time of the grant of such Qualified Incentive Share Option owns shares representing more than 10% of the voting power of all classes of shares of the Company or any parent or subsidiary of the Company, the per Share exercise price shall be not less than 110% of the fair market value per Share on the date of grant; (b) if granted to any employee other than an employee described in the preceding paragraph,the per Share exercise price shall be not less than 100% of the fair market value per Share on the date of grant; (ii) in the case of a Non-qualified Incentive Share Option, the per Share exercise price shall be not less than 85% of the fair market value per Share on the date of grant unless otherwise determined by the Administrator; (iii) In the case of other awards, such price as is determined by the Administrator;

(vii) Each grantee to whom an option or award has been granted shall be entitled to the Shares they are awarded in accordance with the terms (including any restrictions and vesting requirement that may be imposed) of the Pre-IPO Share Incentive Schemes and the Stock Option Award Agreements, provided, however, that the term of a Qualified Incentive Share Option shall be no more than ten years from the date of grant thereof;

(viii) An award may be exercised following the termination of a grantee's continuous service only to the extent provided in the Stock Option Award Agreements;

(ix) The Board may at any time amend, suspend or terminate the Pre-IPO Share Incentive Schemes; provided, however, that no such amendment shall be made without the approval of the Company's shareholders to the extent such approval is required by applicable laws. No suspension or termination of the Pre-IPO Share Incentive Schemes shall adversely affect any rights under awards already granted to a grantee.

The Pre-IPO Share Incentive Schemes do not involve the grant of the option to subscribe for any new Shares and therefore is not required to be subject to the provisions in Chapter 17 of the Listing Rules. It does not cause any effect to the total number of Shares outstanding and will not result in any dilution effect to the Shares.

Each of Mr. Mao Chen Cheney, Mr. Wu Ying, Mr. Hua Fengmao and Mr. Ren Delin, as the executive Director and as the scheme participant holds directorship in the Company.

		Number of Options			
Name and category of participant	**Date of grant**	**As of Listing Date**	**Exercised during the Reporting Period**	**As of June 30, 2019**	**Vesting period**
Directors and their associates					
Mr. Mao	June 15, 2011	17,556,437	17,556,437	–	*(Note 1)*
	January 2, 2018	2,194,555	–	2,194,555	*(Note 2)*
Mr. Wu Ying	August 1, 2009	5,332,768	5,332,768	–	*(Note 1)*
	June 15, 2011	8,778,219	8,778,219	–	*(Note 1)*
	January 2, 2018	4,358,386	–	4,358,386	*(Note 2)*
Mr. Hua	January 2, 2018	8,339,308	–	8,339,308	*(Note 2)*
	June 21, 2018	2,194,555	–	2,194,555	*(Note 4)*
Mr. Ren Delin	August 1, 2009	6,364,208	6,364,208	–	*(Note 1)*
	June 15, 2011	4,389,109	4,389,109	–	*(Note 1)*
	January 2, 2018	5,266,931	–	5,266,931	*(Note 2)*
Mrs. Zhao Huixin(5)	August 1, 2009	658,366	658,366	–	*(Note 1)*
	June 15, 2011	658,366	658,366	–	*(Note 1)*
	January 2, 2018	2,852,922	–	2,852,922	*(Note 2)*
Subtotal		68,944,130	43,737,473	25,206,657	

		Number of Options			
Name and category of participant	Date of grant	As of Listing Date	Exercised during the Reporting Period	As of June 30, 2019	Vesting period
Other employees					
	August 1, 2009	14,835,182	14,835,182	–	*(Note 1)*
	August 3, 2010	9,919,387	9,919,387	–	*(Note 1)*
	June 15, 2011	20,409,356	20,409,356	–	*(Note 1)*
	January 2, 2018	29,679,165	–	29,679,165	*(Note 2)*
	January 2, 2018	4,937,748	–	4,937,748	*(Note 3)*
Subtotal		79,780,838	45,163,925	34,616,913	–
Total		148,724,968	88,901,398	59,823,570	

Notes:

(1) 40% of the options shall vest on the second anniversary of the date of grant, 20% of the options shall vest on the third anniversary of the date of grant, another 20% of the options shall vest on the fourth anniversary of the date of grant, and the remaining 20% of the options shall vest on the fifth anniversary of the date of grant.

(2) 100% of the options shall be fully vested and exercisable on the second anniversary of the date of grant.

(3) 40% of the options shall vest on the second anniversary of the date of grant, 20% of the options shall vest on the third anniversary of the date of grant, 20% of the options shall vest on the fourth anniversary of the date of grant, and the remaining 20% of the options shall vest on the fifth anniversary of the date of grant.

(4) 100% of the options shall vest upon completion of the Global Offering.

(5) Mrs. Zhao Huixin is an employee of the Group and the spouse of Mr. Wu Ying.

(6) The number of options granted on August 1, 2009 has been proportionately adjusted for the increase in the number of issued shares resulting from a share split in January 2010.

2. Post-IPO Share Option Scheme

The Post-IPO Share Option Scheme was adopted pursuant to the resolutions of the Shareholders on April 14, 2019, which falls within the ambit of, and is subject to, the regulations under Chapter 17 of the Listing Rules.

The purpose of the Post-IPO Share Option Scheme is to provide Eligible Participants (as defined below) with the opportunity to acquire proprietary interests in the Company and to encourage Eligible Participants to work towards enhancing the value of the Company and its Shares for the benefit of the Company and its Shareholders as a whole.

The Board of Directors may subject to and in accordance with the provisions of the Post-IPO Share Option Scheme and the Listing Rules, at its discretion grant options to any directors (including executive directors, non-executive directors and independent non-executive directors) and employees of any member of the Group and any advisors, consultants, distributors, contractors, customers, suppliers, agents, business partners, joint venture business partners, services providers of any member of the Group who, in the absolute discretion of the Board, has contributed or will contribute to the Group (collectively, the "**Eligible Participants**").

The Post-IPO Share Option Scheme shall be valid and effective for a period of ten years commencing from the Listing Date (the "**Scheme Period**"), after which time no further option shall be offered or granted but the provisions of the Post-IPO Share Option Scheme shall remain in full force and effect in all other respects to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the Post-IPO Share Option Scheme.

Each grant of options to any director, chief executive or substantial shareholder of the Company or any of their respective associates shall be subject to prior approval of the independent non-executive directors of the Company (excluding any independent non-executive director who is a proposed recipient of the grant of options). Where any grant of options to a substantial shareholder or an independent non-executive director of the Company (or any of their respective associates) would result in the number of Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12 months period up to and including the date of such grant:

i. representing in aggregate over 0.1 per cent, or such other percentage as may from time to time be specified by the Stock Exchange, of the Shares in issue; and

ii. having an aggregate value, based on the closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange on the Date of Grant, in excess of HK$5 million (or such other higher amount as may from time to time be specified by the Stock Exchange).

such further grant of options shall be subject to prior approval by the Shareholders (voting by way of poll) in general meeting. The Company shall send a circular to its Shareholders no later than the date on which the Company gives notice of the general meeting to approve such grant. The relevant Eligible Participant, his associates and all core connected persons of the Company shall abstain from voting at such general meeting, except that such person may vote against the relevant resolution at the general meeting provided that his/her intention to do so has been stated in the circular to be sent to the Shareholders in connection therewith. The circular to be issued by the Company shall contain (i) the details of the number and terms (including the Subscription Price) of the options to be granted to each Eligible Participant which must be fixed before the Shareholders' meeting and the date of board meeting for proposing such further grant is to be taken as the Date of Grant for the purpose of calculating the exercise price; and (ii) a recommendation from the independent non-executive directors of the Company (excluding the independent non-executive director who is the relevant Eligible Participant) to the independent Shareholders stating their recommendation as to whether to vote for or against the resolution relating to the grant of the options; and (iii) other information required under relevant Listing Rules.

The price per Share at which a Grantee may subscribe for Shares upon exercise of an option (the "**Subscription Price**") shall be a price determined by the Board in its sole discretion and notified to the Grantee and shall be no less than the highest of:

i. the closing price of the Shares as stated in the Stock Exchange's daily quotations sheets on the date on which the Board resolves to make the offer of the option (the "**Date of Grant**");

ii. the average closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the Date of Grant (provided that in the event that any option is proposed to be granted within a period of less than five business days after the trading of the Shares first commences on the Stock Exchange, the final issue price of the Shares for the Global Offering shall be used as the closing price for any business day falling within the period before listing of the Shares on the Stock Exchange); and

iii. the nominal value of a Share on the Date of Grant.

The Shares which may be issued upon exercise of all options granted under the Post-IPO Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 10% of the total number of Shares in issue as at the date dealings in Shares on the Stock Exchange commence (excluding any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or the exercise of options which were granted under the Pre-IPO Share Incentive Schemes or may be granted under the Post-IPO Share Option Scheme) (the "**Scheme Limit**") which is expected to be 150,000,000 Shares. For the purposes of calculating the Scheme Limit, options which have lapsed in accordance with the terms of the relevant Scheme shall not be counted.

Subject to the terms of the Post-IPO Share Option Scheme, the Company may refresh the Scheme Limit at any time subject to prior approval of the Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time. However, the renewed scheme limit as refreshed shall not exceed 10% of the Shares in issue as at the date of the aforesaid approval by the Shareholders in general meeting. Options previously granted under the Post-IPO Share Option Scheme, whether outstanding, canceled, lapsed in accordance with its applicable terms or already exercised, will not be counted for the purpose of calculating the limit as renewed. A circular in accordance with the requirements of the Listing Rules shall be sent to the Shareholders in connection with the meeting at which their approval will be sought.

Notwithstanding anything to the contrary in the Post-IPO Share Option Scheme, the overall limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Post-IPO Share Option Scheme and any other schemes of the Company must not in aggregate exceed 30% of the Shares in issue from time to time. No options may be granted if such grant will result in this 30% limit being exceeded.

Unless approved by the Shareholders in general meeting, the Board shall not grant options to any Eligible Participant if the acceptance of those options would result in the total number of shares issued and to be issued to that Grantee on exercise of his option during any 12 months period up to the offer date exceeding 1% of the total Shares then in issue.

Where any further grant of options to a Eligible Participant, if exercised in full, would result in the total number of Shares already issued or to be issued upon exercise of all options granted and to be granted to such Eligible Participant (including exercised, canceled and outstanding options) in any 12-month period up to and including the date of such further grant exceeding 1% of the total number of Shares in issue, such further grant must be separately approved by the Shareholders in general meeting with such Grantee and his close associates (or his associates of the Eligible Participant is a connected person) abstaining from voting. The Company must send a circular to the Shareholders and the circular must disclose the identity of the Grantee, the number and terms of the options to be granted and options previously granted to such Grantee and all other information required under the Listing Rules. The number and terms (including the Subscription Price) of the options to be granted to such Eligible Participant must be fixed before the Shareholders' approval. The date of the meeting of the Board for proposing such further grant of option should be taken as the date of grant for the purpose of calculating the Subscription Price.

No options were granted, exercised, canceled or lapsed by the Company under the Post-IPO Share Option Scheme from the Listing Date to June 30, 2019.

A summary of the terms of the Pre-IPO Share Incentive Schemes and Post-IPO Share Option Scheme has been set out in the section headed "D. Share Incentive Schemes" in Appendix IV of the Prospectus.

EVENT AFTER THE REPORTING PERIOD

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

Report on Review of Condensed Consolidated Financial Information

TO THE BOARD OF DIRECTORS OF VIVA BIOTECH HOLDINGS
(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Viva Biotech Holdings (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 33 to 76, which comprise the condensed consolidated statement of financial position as of June 30, 2019 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("**IAS 34**") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" ("**HKSRE 2410**") issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

OTHER MATTER

The comparative condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period ended June 30, 2018 and the relevant explanatory notes included in these condensed consolidated financial statements have not been reviewed in accordance with HKSRE 2410.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
August 27, 2019

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended June 30, 2019

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

Condensed Consolidated Statement of Financial Position

As at June 30, 2019

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

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

Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 2019

	Share capital *RMB'000*	Share premium *RMB'000*	Statutory reserve *RMB'000*	Share option reserve *RMB'000*	Other reserve *RMB'000*	Retained earnings *RMB'000*	Total equity *RMB'000*
At January 1, 2019 (Audited)	**164**	**47,251**	**16,207**	**20,485**	**–**	**167,335**	**251,442**
Profit and total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**46,496**	**46,496**
Recognition of equity-settled share-based payment *(Note 21)*	**–**	**–**	**–**	**4,323**	**–**	**–**	**4,323**
Issue of shares pursuant to Capitalization Issue *(Note 20 (iii))*	**17**	**(17)**	**–**	**–**	**–**	**–**	**–**
Dividends recognized as distribution	**–**	**(120,747)**	**–**	**–**	**–**	**–**	**(120,747)**
Automatic conversion of Series B Preferred Shares upon Global Offering *(Note 19)*	**11**	**246,888**	**–**	**–**	**–**	**–**	**246,899**
Shares issued upon Global Offering and over-allotment	**60**	**1,339,920**	**–**	**–**	**–**	**–**	**1,339,980**
Transaction costs attributable to issue of new shares	**–**	**(80,687)**	**–**	**–**	**–**	**–**	**(80,687)**
Exercise of share options	**15**	**5,648**	**–**	**–**	**–**	**–**	**5,663**
At June 30, 2019 (Unaudited)	**267**	**1,438,256**	**16,207**	**24,808**	**–**	**213,831**	**1,693,369**
At January 1, 2018 (Audited)	120	13,590	9,744	11,883	33,705	83,720	152,762
Adoption of IFRS 9	–	–	–	–	–	(472)	(472)
Adjusted balance at January 1, 2018 (Audited)	120	13,590	9,744	11,883	33,705	83,248	152,290
Profit and total comprehensive income for the period	–	–	–	–	–	50,806	50,806
Recognition of equity-settled share-based payment *(Note 21)*	–	–	–	4,113	–	–	4,113
Issue of ordinary shares	44	33,661	–	–	(33,705)	–	–
At June 30, 2018 (Unaudited)	164	47,251	9,744	15,996	–	134,054	207,209

Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2019

	Six months ended June 30,	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
NET CASH FROM OPERATING ACTIVITIES	**12,575**	9,170
Interest received	**6,919**	169
Proceeds from disposal of property, plant and equipment	**8**	–
Increase in rental deposit	**(3,131)**	–
Purchases of property, plant and equipment	**(15,635)**	(8,113)
Proceeds from redemption of investments in financial assets at amortized cost	**–**	3,500
Government grants and subsidies received related to assets	**2,500**	–
Increase in restricted bank deposits	**(2,506)**	–
Withdraw in restricted bank deposits	**4,652**	–
Repayment from a related party	**–**	2,002
Acquisition of investment in joint ventures	**(3,500)**	(3,500)
Acquisition of investment in associates	**(3)**	(2,000)
Purchase of financial assets at FVTPL	**(52,981)**	(8,329)
Proceed from disposal of financial assets at FVTPL	**–**	19,189
NET CASH (USED IN) FROM INVESTING ACTIVITIES	**(63,677)**	2,918
FINANCING ACTIVITIES		
Repayment of bank borrowings	**(245)**	(232)
Repayment to related parties	**–**	(14,922)
Loan obtained from a third party	**10,631**	–
Interest paid	**(61)**	(489)
Issue costs paid	**(69,706)**	(1,935)
Repayment of lease liabilities	**(3,150)**	–
Proceeds from the issue of Series B Preferred Shares	**–**	199,942
Proceeds from issue of ordinary shares	**1,339,980**	–
Proceeds from exercise of share options	**5,663**	–
Dividend paid	**(128,686)**	–
Repayment to a third party	**(10,631)**	–
NET CASH FROM FINANCING ACTIVITIES	**1,143,795**	182,364

Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2019

	Six months ended June 30,	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**1,092,693**	194,452
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**155,554**	29,766
Effect of foreign exchange rate changes	**1,032**	1,508
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**1,249,279**	225,726

Notes to the Condensed Consolidated Financial Information

For the six months ended June 30, 2019

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

1.1 General Information

Viva Biotech Holdings was incorporated in the Cayman Islands as an exempted company with limited liability on August 27, 2008, and its shares have been listed on the Stock Exchange since May 9, 2019 (the "**Listing Date**"). The address of the registered office and the principal place of business of the Company are set out in the section headed "Corporate Information" to the interim report. At the date of the issuance of these condensed consolidated financial statements, the ultimate controlling party of the Company is Mr. Mao Chen Cheney.

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

1.2 Basis of preparation

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

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

2. PRINCIPAL ACCOUNTING POLICIES

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

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

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Application of new and amendments to IFRSs

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

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

Except as described below, the application of the new and amendments to IFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

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

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

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

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

Definition of a lease

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

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

2. PRINCIPAL ACCOUNTING POLICIES (continued)

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

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

As a lessee

Allocation of consideration to components of a contract

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

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

Short-term leases

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

Right-of-use assets

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

2. PRINCIPAL ACCOUNTING POLICIES (continued)

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

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

As a lessee (continued)

Right-of-use assets (continued)

The cost of right-of-use asset includes:

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

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

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

Leasehold land and building

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

2. PRINCIPAL ACCOUNTING POLICIES (continued)

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

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

As a lessee (continued)

Refundable rental deposits

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

Lease liabilities

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

The lease payments include:

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

2. PRINCIPAL ACCOUNTING POLICIES (continued)

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

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

As a lessee (continued)

Lease liabilities (continued)

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

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

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Lease modifications

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

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

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

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

As a lessee (continued)

Lease modifications (continued)

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

Taxation

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

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

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

Definition of a lease

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

2. PRINCIPAL ACCOUNTING POLICIES (continued)

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

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

Definition of a lease (continued)

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

As a lessee

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

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

i. relied on the assessment of whether leases are onerous by applying IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;

ii. elected not to recognize right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application; and

iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application.

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

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

2. PRINCIPAL ACCOUNTING POLICIES (continued)

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

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

As a lessee (continued)

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES (continued)

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

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

As a lessee (continued)

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

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

Notes:

(a) Operating lease prepayments were classified as trade and other receivables at December 31, 2018. Upon application of IFRS 16, such prepayments amounting to RMB1,009,000 are reclassified to right-of-use assets.

(b) Before the application of IFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which IAS 17 applied. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. Accordingly, RMB202,000 was adjusted to refundable rental deposits paid and right-of-use assets.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

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

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

As a lessee (continued)

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

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES (continued)

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

Determination on lease term of contracts with renewal options

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

3. REVENUE AND SEGMENT INFORMATION

Disaggregation of revenue

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

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

3. REVENUE AND SEGMENT INFORMATION (continued)

Timing of revenue recognition

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

Over time

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

At a point in time

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

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

3. REVENUE AND SEGMENT INFORMATION (continued)

Geographical Information

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

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

Information about major customers

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

	Six months ended June 30,	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Customer A	**17,541**	–

4. OTHER INCOME

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

Notes:

(i) The Group has received certain government grants related to assets to invest in laboratory equipment and plant. The grants related to assets were recorded in deferred income and recognized in profit or loss over the useful lives of the relevant assets after the relevant conditions are met.

(ii) Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period upon actual receipt.

5. OTHER GAINS AND LOSSES

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

6. FINANCE COST

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

7. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

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

8. INCOME TAX EXPENSE

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

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

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

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

9. EARNINGS PER SHARE

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

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

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

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

9. EARNINGS PER SHARE (continued)

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

10. DIVIDENDS

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

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

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

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

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

12. INTERESTS IN ASSOCIATES

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

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

13. INTERESTS IN JOINT VENTURES

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

14. FINANCIAL ASSETS AT FVTPL

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

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

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

15. DEFERRED TAX ASSETS/LIABILITIES

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

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

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

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

16. TRADE AND OTHER RECEIVABLES

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

16. TRADE AND OTHER RECEIVABLES (continued)

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

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

17. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS SUBJECT TO ECL MODEL

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

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

18. TRADE AND OTHER PAYABLES

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

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

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

19. FINANCIAL LIABILITIES AT FVTPL

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

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

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

Presentation and classification

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

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

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

20. SHARE CAPITAL

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

20. SHARE CAPITAL (continued)

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

20. SHARE CAPITAL (continued)

Notes:

(i) Pursuant to the resolution of shareholders' meeting dated April 12, 2015, the existing ordinary shareholders would subscribe 71,917,810 ordinary shares of the Company at a price of US$0.0765 per share with a total cash consideration of US$5,500,000 (equivalent to RMB33,705,000). This capital contribution obligation was satisfied by the ordinary shareholders through payment on behalf of the Company for the redemption of the Series A1 Preferred Shares of the Company on April 25, 2015. On March 28, 2018, the Company issued the 71,917,810 ordinary shares to the relevant shareholders.

(ii) Pursuant to a shareholders' resolution passed on April 14, 2019, the authorized share capital of the Company was split on a 1-to-4 basis and as a result, the par value was changed from US$0.0001 per each share to US$0.000025 per each share and the authorized share capital of US$50,000.00 of the Company was divided into (1) 1,935,065,872 ordinary shares of US$0.000025 per each share; and (2) 64,934,128 Series B Preferred Shares which were subsequently converted into the same amount of ordinary shares of US$0.000025 per each upon Global Offering (the "**Share Split**").

(iii) Pursuant to a shareholders' resolution passed on April 14, 2019, a total of 102,394,632 shares credited as fully paid at par were allotted and issued on the Listing Date to both ordinary and preferred shareholders on the register of members of the Company at the close of business on the business day preceding the Listing Date, in proportion to their respective shareholdings in the Company by way of capitalization of the sum of US$2,559.87. The shares allotted and issued pursuant to this resolution (the "**Capitalization Issue**") rank pari passu in all respects with the then existing issued shares of the Company.

(iv) On May 9, 2019, the Company issued a total of 345,000,000 ordinary shares of US$0.000025 each at the price of HK$4.41 per share by means of Global Offering.

(v) On June 4, 2019, the Company issued a total of 7,281,000 ordinary shares of US$0.000025 each at the price of HK$4.41 per share by means of partially exercise of the over-allotment option relating to the Global Offering.

21. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share option schemes of the Company

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

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

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

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

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

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

21. SHARE-BASED PAYMENT TRANSACTIONS (continued)

Equity-settled share option schemes of the Company (continued)

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

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

22. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value measurement

The Group's financial assets and financial liabilities at FVTPL which are measured at fair value (details refer to Notes 14 and 19) at June 30, 2019 and December 31, 2018 are grouped under Level 2 and Level 3 hierarchy. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

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

22. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

Fair value measurement (continued)

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

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

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

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

22. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

Fair value measurement (continued)

(ii) Reconciliation of level 3 fair value measurements

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

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

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

22. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

Fair value measurement (continued)

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

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

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

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

23. CAPITAL COMMITMENTS

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

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

24. RELATED PARTY DISCLOSURES

(1) Names and relationships with related parties

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

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

Notes:

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

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

(2) Transactions with related parties

i. *Provision of research and development services*

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

24. RELATED PARTY DISCLOSURES (continued)

(2) Transactions with related parties (continued)

ii. Interest expenses arising from related parties' loans

	Six months ended June 30,	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Shanghai Daidai (Hong Kong) Limited	**–**	42
JMCR Partners Limited	**–**	372
	–	414

(3) Related party balances

	As at June 30, 2019	As at December 31, 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables from related parties		
Jiaxing Tekeluo Biotech Co., Ltd.	**274**	326
Jiaxing Youbo Biotech Co., Ltd.	**1,113**	882
QureBio Limited	**–**	713
	1,387	1,921

24. RELATED PARTY DISCLOSURES (continued)

(4) Compensation of key management personnel

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

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

25. SUBSEQUENT EVENTS

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

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

Definitions

In this interim report, unless the context otherwise requires, the following expressions shall have the following meanings.

"Audit Committee"	the audit committee of the Board
"Board of Directors" or "Board"	the board of Directors
"BVI"	British Virgin Islands
"CG Code"	the "Corporate Governance Code" as contained in Appendix 14 to the Listing Rules
"China" or "PRC"	the People's Republic of China, which, for the purpose of this interim report and for geographical reference only, excludes Hong Kong, Macau and Taiwan
"China Finance Strategies"	China Finance Strategies Investment DB Limited, a company incorporated in the BVI on December 15, 2006, which is wholly owned by Mr. Hua
"Company", "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
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and, unless the context requires otherwise, refers to Mr. Mao and Concord Trust Company, LLC
"Director(s)"	the director(s) of the Company or any one of them
"Fenghe Harvest"	Fenghe Harvest Ltd, a company incorporated in the BVI on July 1, 2014, which is wholly-owned by Mr. John Wu Jiong, a non-executive Director of the Company
"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
"HK$" or "Hong Kong dollars"	Hong Kong dollars and cents, each being the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"IFRS"	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
"Independent third party(ies)"	a person or entity who/which is not a connected person or associate of a connected person of our Company under the Listing Rules
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Date"	May 9, 2019, on which the Shares were listed and from which dealings therein were permitted to take place on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
"Mao and Sons"	Mao and Sons Limited, a company incorporated in the BVI on January 23, 2018, which is indirectly wholly owned by the trustee of the Z&M Trust, a revocable family trust set up by Ms. Mao as settlor and protector
"Model Code"	the "Model Code for Securities Transactions by Directors of Listed Issuers" set out in Appendix 10 to the Listing Rules
"Mr. Hua"	Mr. Hua Fengmao, one of our founders, the chief financial officer and executive Director of the Company

"Mr. Mao"	Mr. Mao Chen Cheney, one of our founders, the Chairman and chief executive officer of the Company
"Ms. Mao"	Ms. Mao Jun, a non-executive Director of the Company and the sister of Mr. Mao
"Pre-IPO Share Incentive Schemes"	the 2009 Stock Incentive Plan, the 2018 Stock Incentive Plan and the Pre-IPO Stock Incentive Plan, the principal terms of which are summarized in "Statutory and General Information – D. Share Incentive Schemes – 1. Pre-IPO Share Incentive Schemes" in Appendix IV to the Prospectus
"Pre-IPO Stock Incentive Plan"	the pre-IPO stock incentive plan approved and adopted by the Company on June 21, 2018, the principal terms of which are summarized in "Statutory and General Information – D. Share Incentive Schemes – 1. Pre-IPO Share Incentive Schemes" in Appendix IV to the Prospectus
"Prospectus"	the prospectus of the Company dated April 25, 2019
"Reporting Period"	the six months ended June 30, 2019
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"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
"Wu and Sons"	Wu and Sons Limited, a company incorporated in the BVI on January 23, 2018, which is wholly owned by Mr. John Wu Jiong, our non-executive Director

"Zhang and Sons"	Zhang and Sons Limited, a company incorporated in the BVI on January 23, 2018, which is indirectly wholly owned by the trustee of the Z&M Trust, a revocable family trust set up by Ms. Mao as settlor and protector
"%"	per cent
"2009 Stock Incentive Plan"	The stock incentive plan approved and adopted by the Company on July 1, 2009 and as amended and restated on June 8, 2018
"2018 Stock Incentive Plan"	The stock incentive plan approved and adopted by the Company on January 1, 2018 and as amended and restated on June 8, 2018