VIVA

维亚生物科技控股集团
VIVA BIOTECH HOLDINGS

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

Stock Code: 1873

2019
ANNUAL REPORT

CONTENTS

* *For the year ended December 31, 2019, we will publish the Environmental, Social and Governance Report (the "**ESG Report**") separately to report to the community, the public shareholders and all relevant parties on more environmental, social and governance practices in 2019. The ESG Report will be published on the Stock Exchange and the Company's website within three months after the publication of this annual report.*

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 *(resigned on March 30, 2020)*
Ms. SUN Yanyan *(appointed on March 30, 2020)*

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 Chartered Governance Institute (formerly known as 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 Chartered Governance Institute (formerly known as the Institute of Chartered Secretaries and Administrators) and the Hong Kong Institute of Chartered Secretaries)*

AUDITOR

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors

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 Hong Kong and Shanghai Banking Corporation Limited
Bank of China (Hong Kong) Limited
JP Morgan 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

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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 WEBSITE

www.vivabiotech.com

LISTING DATE

May 9, 2019

Chairman's Statement

Dear Shareholders:

The year of 2019 unfolded with multiple opportunities and challenges in the biopharmaceutical industry. Research and development of innovative drugs has embraced a boom, while the peak is yet to come. Leveraging its efficiency and cost-effective advantages, a golden era of rapid development is being unlocked for China's drug discovery CRO industry. With the continuous increase in the scale and outsourcing rate of the early-stage drug discovery service market, China's drug discovery market is well positioned for a CAGR of 37.3% for the next three years. In terms of capital market, investment and financing amount of the innovative drug industry hit a new record. More biotech companies were listed on global stock markets, and more M&A transactions were closed.

For Viva Biotech, the year of 2019 also marked an exceptional milestone. On May 9, 2019, Viva Biotech was listed on the Hong Kong Stock Exchange to usher in a new chapter in our history. I wish to look back on our results and operating highlights recorded in 2019 together with you:

- As a world leading structure-based drug discovery provider, Viva Biotech continued to deepen and consolidate cooperations with global innovative biotechnology companies. During the Reporting Period, thanks to the mutual contribution and remarkable progress secured by the innovative and dual-driver cash-for-service (CFS) business and equity-for-service (EFS) business, revenue of the Group increased substantially to RMB323.1 million from RMB210.0 million for the same period of last year, up 53.9%; and net profit increased to RMB265.9 million from RMB90.6 million for the same period of last year, up 193.5%. Our customer structure was also trending more diverse.

- In 2019, revenue from CFS business surged by 58.8%, to RMB245.6 million from RMB154.7 million from the corresponding period of last year; customer orders recorded a year-on-year increase of 91.8% to RMB349 million. During the Reporting Period, our customer structure was constantly optimized with a substantial increase in new customers , with revenue from repeating customers remains 81%. We have accumulatively provided drug discovery services to more than 438 biotechnology and pharmaceutical customers worldwide, including nine out of the global top ten pharmaceutical corporations (in terms of revenue in 2019) and 29 companies on the list of "Fierce Biotech Top 15 Promising Biotechs".

- The Group committed on-going efforts to optimize and enhance the scalability and sustainability of the EFS model, in a bid to construct an open and collaborative platform for the global biopharmaceutical innovators. Throughout the year, the Company received and reviewed more than 600 early-stage innovative drug projects from across the globe, which were generated from various sources and covered several frontier core medical field. Our incubation and investment efficiency was constantly enhanced; business partners and scientist team were continuously expanded and the incubated and incubation projects witnessed smooth financing and research and development. In November 2019, the first Viva Biotech Partnership Summit was successfully launched in Shanghai, achieving initial success in establishment of the innovative pharmaceutical investment ecosystem.

- In 2019, the Group added two facilities in Shanghai Zhangjiang High-Tech Park and Chengdu Medical City, respectively. In particular, the Group added a laboratory and office premise of approximately 8,000 square meters in Zhangjiang High-Tech Park, Shanghai, which primarily caters for the expansion and increasing orders from CFS customers. Another new modern scientific research and production center in Chengdu covers an area of about 50 mu, which integrates new drug research and development, commercialization and production.

- Viva Biotech was included in the Hang Seng Hong Kong-Listed Biotech Index in December 2019, demonstrating recognition from the capital market and peers for our performance and business model. During the Reporting Period, Viva Biotech was honored several industry awards, including the "Most Popular Newly Listed Company (最受投資者歡迎新股獎)" of the 4th Annual Golden Stock Award, the "Top 10 Public Companies (年度領袖企業)" of Vcbeat.top (動脈網) and "Outstanding Listed Company (卓越影響力上市企業)" by Zhangjiang S&T Investment.

We would like to take this opportunity to extend sincere gratitude to the customers, partners and the Shareholders and to our employees for their diligence and dedication. Our growth is indispensable from your long-term support, trust and supervision. Viva Biotech will continue to extend its footprints to the downstream of the research and development industry service chain, promote the integration of innovative drug industry chain, accelerate the forging of capacities to provide optimum full-process services to our customers and deepen and broaden our cooperation with industrial capital, in a bid to create long-term values and secure best returns for the Shareholders.

Viva Biotech Holdings
Dr. Mao Chen Cheney
Chairman and Chief Executive Officer
March 30, 2020

Financial Summary and Highlights

	For the Year Ended December 31,			
	2016	2017	2018	**2019**
	RMB'000	*RMB'000*	*RMB'000*	***RMB'000***
Operating results				
Revenue	96,492	148,245	210,033	**323,057**
Gross profit	54,143	86,189	105,457	**155,873**
Gross profit margin	56.1%	58.1%	50.2%	**48.3%**
Net profit	24,473	76,260	90,550	**265,872**
Net profit margin	25.4%	51.4%	43.1%	**82.3%**
Adjusted non-IFRS net profit	24,473	76,260	135,482	**318,019**
Adjusted non-IFRS net profit margin	25.4%	51.4%	64.5%	**98.4%**
Earnings per share *(RMB)*				
Earnings per share – Basic	0.02	0.07	0.08	**0.19**
Earnings per share – Diluted	0.02	0.07	0.08	**0.18**
Adjusted non-IFRS earnings per share – Basic	0.02	0.07	0.13	**0.23**
Adjusted non-IFRS earnings per share – Diluted	0.02	0.07	0.11	**0.21**

	As at December 31,			
	2016	2017	2018	**2019**
	RMB'000	*RMB'000*	*RMB'000*	***RMB'000***
Total assets	101,821	202,402	529,339	**1,898,785**
Equity attributable to owners of the Company	76,502	152,762	251,442	**1,777,394**
Total liabilities	25,319	49,640	277,897	**121,391**
Bank balances and cash	13,425	29,766	155,554	**904,091**
Gearing ratio	24.9%	24.5%	52.5%	**6.4%**

During the Reporting Period, we recorded revenue of approximately RMB323.1 million, representing an increase of 53.9% from approximately RMB210.0 million for the same period of 2018.

During the Reporting Period, we recorded gross profit of approximately RMB155.9 million, representing an increase of 47.8% from approximately RMB105.5 million for the same period of 2018.

During the Reporting Period, we recorded net profit of approximately RMB265.9 million, representing an increase of 193.5% from approximately RMB90.6 million for the same period of 2018.

During the Reporting Period, we recorded adjusted Non-IFRS net profit of approximately RMB318.0 million, representing an increase of 134.7% from approximately RMB135.5 million for the same period of 2018.

The Board recommended a final dividend for the year ended December 31, 2019 of HK$0.015 per Share, which is subject to approval by the Shareholders at the annual general meeting of the Company.

NON-IFRS MEASURE

To supplement the Group's consolidated financial statements which are presented in accordance with the International Financial Reporting Standards ("**IFRS**"), the Company has provided adjusted Non-IFRS net profit, adjusted Non-IFRS net profit margin, and adjusted Non-IFRS earnings per share (excluding Listing expenses and fair value loss on financial liabilities at FVTPL) as additional financial measures, which are not required by, or presented in accordance with, the IFRS. The Company believes that the adjusted Non-IFRS financial measures are useful for understanding and assessing underlying business performance and operating trends, and that the Company's management and investors may benefit from referring to these adjusted financial measures in assessing the Group's financial performance by eliminating the impact of certain unusual and non-recurring items that the Group does not consider indicative of the performance of the Group's business. However, the presentation of these non-IFRS financial measures is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with the IFRS. You should not view the adjusted results on a stand-alone basis or as a substitute for results under the IFRS.

Management Discussion and Analysis

BUSINESS REVIEW

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

Cash-for-service (CFS) business

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

Equity-for-service (EFS) business

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

During the Reporting Period, we received and reviewed 635 early-stage projects and after selection and assessment, we added 19 startups to our incubation portfolio companies, made additional investments in two of our existing incubation portfolio companies and was in negotiation for incubation and investment in three new companies. Among the new incubation portfolio companies, 15 were added after April 15, 2019, being the latest practicable date in the Prospectus with respect to the Global Offering of the shares of the Company, the details of which are set forth below:

No.	Company Name	Type	Time of investment/ incubation agreement	Indications/ Primary Technology/Business	Shareholding % received as at December 31, 2019[2]
1.	VersaChem,Inc.	EFS	2019.05	First-in-class small molecule drug therapeutic for acute and recent Spinal Cord Injury (SCI)	20.73%[3]
2.	AcuraStem Incorporated	Strategic Investment	2019.06	First-in-class drug discovery to cure Neurodegenerative Diseases including Lou Gehrig's Disease (ALS) and Frontotemporal Dementia (FTD)	0.00%[3]

No.	Company Name	Type	Time of investment/ incubation agreement	Indications/ Primary Technology/Business	Shareholding % received as at December 31, 2019[2]
3.	Bright Angel Therapeutics Inc.	EFS	2019.06	Focusing on tackling the problem of resistance to current antifungal therapies via the development of new drugs for infectious diseases	0.00%[3]
4.	Mebias Discovery, Inc.	EFS	2019.06	Developing a platform to discover novel biased GPCR drugs with an improved therapeutic index	5.54%[3]
5.	Proviva Therapeutics, Inc[1]	EFS	2019.06	A pro-cytokine (Zitokine) fusion protein platform, for the treatment of cancer and infectious diseases	31.00%
6.	Acelink Therapeutics, Inc.	Strategic Investment	2019.07	Developing novel drugs, Glucosylceramide synthase (GCS) inhibitors, for genetically-associated human diseases; such as several lysosomal storage diseases: GBA-associated Parkinson's disease (PD), polycystic kidney disease (PKD), etc.	10.00%
7.	Saverna Therapeutics AG	Strategic Investment	2019.08	miRNA-targeting small molecule drugs development, and the use of a fragment-based screening with nuclear magnetic resonance	0.00%[3]
8.	DTx Pharma, Inc.	Strategic Investment	2019.09	Development of a technology that enables delivery of RNAi (double-stranded oligonucleotide) therapeutics to multiple cell types and tissues	5.30%
9.	Seraxis Pte Ltd	Strategic Investment	2019.10	iPSC-derived cell replacement therapy for insulin dependent diabetes imbedded inside a therapeutic device implanted on the omentum	0.00%[3]
10.	Ophidion Inc.	Strategic Investment	2019.11	Developing a peptide initially derived from the Lynx1-loop2 sequence that can bind with neuronal nicotinic acetylcholin (nAch) receptor and mediate blood brain barrier (BBB) crossing	6.94%
11.	Reglagene Holding, Inc.	EFS	2019.12	Developing small molecule drugs by selective control of gene transcription via the Quadruplex (DNA secondary structures) target for diseases caused by aberrant gene behavior	0.00%[3]
12.	Eubulus Biotherapeutics Inc.[1]	EFS	2019.12	Developing innovative ferroptosis inducer drugs with novel structures for sensitization/combination of anticancer drugs	0.00%[3]

No.	Company Name	Type	Time of investment/ incubation agreement	Indications/ Primary Technology/Business	Shareholding % received as at December 31, 2019[2]
13.	Path Therapeutics, Inc.	EFS	2019.12	The company uses a platform of CRISPR engineered to identify new drug targets for central nervous system (CNS) diseases	19.10%[3]
14	MorphoGene SA	Strategic Investment	2019.12	MorphoGene specializes in re-engineering growth factors with a high affinity extracellular matrix binding domain in the treatment of chronic wounds	15.15%[3]
15.	United InnoMed (Cayman) Limited	Strategic Investment	2019.12	UIM focus on medical device research and development in cardiovascular diseases and surgical therapy	0%[3]

Notes:

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

2. Shareholding percentages are calculated on a fully diluted basis.

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

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

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

Increase in Employees, Facilities and Scale

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

R&D Investment and Technology Platform

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

Business Partners and Scientist Team

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

INDUSTRY AND BUSINESS PROSPECTS

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

To Strengthen Platform Construction and Integrate Layout alongside the Industry Chain

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

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

DISCUSSION OF RESULTS OF OPERATION

Revenue

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

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

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

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

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

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

Cost of Services

Cost of services primarily consists of direct labor costs, cost of materials and overhead. Direct labor costs primarily consist of salaries, bonus, welfare, social security costs and share-based compensation for our R&D talents, excluding the costs allocated to research and development expenses, as well as those capitalized in contract costs. Cost of services in the Reporting Period was approximately RMB167.2 million, representing an increase of 59.8% as compared to approximately RMB104.6 million in the year ended December 31, 2018. The increase was in line with the Group's business growth.

Gross Profit and Gross Profit Margin

During the Reporting Period, the Group's gross profit was approximately RMB155.9 million, representing an increase of 47.8% as compared to approximately RMB105.5 million in the year ended December 31, 2018. The increase was in line with the Group's business growth. Gross margin was 48.3% for the Reporting Period, as compared to 50.2% for the year ended December 31, 2018. The minor decrease was primarily due to an increase in labor costs as a result of increase in the number of R&D personnel.

Other Income

Other income consists of interest income, government grant and subsidies. The Group's other income was approximately RMB20.9 million for the Reporting Period, representing an increase of 344.7% as compared to approximately RMB4.7 million in the year ended December 31, 2018. The increase was primarily due to an increase in interest income as a result of an increase in cash and cash equivalents.

Other Gains and Losses

Other gains and losses consist primarily of net foreign exchange gain or loss, gain or loss on disposal of property, plant and equipment, gain on deemed disposal of interests in associates, gain on deemed disposal of interests in a joint venture, gain on disposal of interests in an associate, gain on disposal of interest in a joint venture and others. During the Reporting Period, the Group recorded a gain of approximately RMB44.4 million in other gains and losses, representing an increase of 43.2% as compared to approximately RMB31.0 million in the year ended December 31, 2018. The increase was primarily due to an increase in foreign exchange gain.

RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses mainly consist of labor costs, cost of materials, overhead costs and fees paid to third parties that conduct certain research and development activities on our behalf. During the Reporting Period, the Group's research and development expenses were approximately RMB45.0 million, representing an increase of 77.9% as compared to approximately RMB25.3 million in the year ended December 31, 2018. The increase was primarily due to an increase in the number of R&D personnel.

Selling and Marketing Expenses

Selling and marketing expenses primarily consists of staff cost, travelling expenses and others. During the Reporting Period, the Group's selling and marketing expenses were approximately RMB3.6 million, representing a slight decrease of 7.7% as compared to approximately RMB3.9 million in the year ended December 31, 2018. The decrease was primarily due to a decrease in third-party consulting fee.

Administrative Expenses

Administrative expenses primarily consists of administrative staff costs, audit and consultancy fees, office administration expense, rental, depreciation, travelling and transportation expenses and others. During the Reporting Period, the Group's administrative expenses were approximately RMB51.2 million, representing an increase of 100.0% as compared to approximately RMB25.6 million in the year ended December 31, 2018. The increase primarily reflected expansion of the Group's incubation team and an increase in third party consultation fee to enhance operating efficiency.

Listing Expenses

Listing expenses reflected professional service fees related to the Global Offering and the listing of the Company. The Group recorded listing expenses of approximately RMB17.9 million for the Reporting Period, as compared to approximately RMB24.3 million for the year ended December 31, 2018.

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

The Group's EFS model features sharing of the upside of our customers' IP values, which is primarily reflected by the gains from the fair value change of the equity interest in the Group's incubation portfolio companies. Such fair value gains are recorded as FVTPL in the Group's financial statements. The Group has engaged Valuelink, an independent professional appraisal firm, to assess and determine the fair value of our financial assets as at December 31, 2018 and 2019.

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

Impairment Losses under Expected Credit Model, Net of Reversal

Impairment losses under expected credit model, net of reversal reflects impairment loss on trade receivables. The Group recorded impairment losses of approximately RMB1.8 million for the Reporting Period, as compared to approximately RMB0.1 million of impairment losses for the year ended December 31, 2018.

Share of Loss of Associates

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

Share of Loss of Joint Ventures

For the Reporting Period, the Group recorded share of loss of joint ventures of approximately RMB1.9 million, as compared to approximately RMB1.5 million for the year ended December 31, 2018. The increase primarily represented the Group's increased share of loss in one of its incubation portfolio companies, Jiaxing Youbo Biotech Co., Ltd..

Finance Cost

Finance cost primarily consists of interest expenses on loans from banks and related parties. For the Reporting Period, the Group's finance cost was approximately RMB2.3 million, representing an increase of 283.3%, as compared to approximately RMB0.6 million for the year ended December 31, 2018. The increase was mainly due to an approximately RMB2.0 million increase in rental interest liabilities as the Group applied IFRS 16 for the first time during the Reporting Period.

Fair Value Loss on Financial Liabilities at FVTPL

Fair value loss on financial liabilities at FVTPL represents changes in fair value of the series B convertible redeemable preferred shares (the "**Series B Preferred Shares**") in connection with the Company's pre-IPO financing. For the Reporting Period, the Group recorded fair value loss on financial liabilities at FVTPL of approximately RMB34.2 million, as compared to approximately RMB20.7 million for the year ended December 31, 2018.

Income Tax Expense

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

Net Profit and Net Profit Margin

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

Liquidity, Financial Resources and Gearing Ratio

As at December 31, 2019, the Group's total cash and cash equivalents amounted to approximately RMB904.1 million, representing an increase of 481.0% as compared to approximately RMB155.6 million as at December 31, 2018. Such increase was primarily attributable to the proceeds from the Global Offering. The Group maintains a strong cash position to meet potential needs for business expansion and development.

As at December 31, 2019, the Group had approximately RMB1.9 million of secured and unguaranteed bank loans, of which the principal and interest are repaid monthly and the loan will be matured in April 2023. As at December 31, 2019, the Group did not have any unutilized banking facilities. The Group intends to finance the expansion, investments and business operations with proceeds from the Global Offering and internal resources. As at December 31, 2019, the gearing ratio, calculated as total liabilities over total assets, was 6.4%, as compared with 52.5% as at December 31, 2018.

Significant Investment, Material Acquisitions and Disposals

As part of our overall business model of driving our EFS business, we regularly review early-stage startup projects, enter into incubation and investment agreements and recruit such companies as our incubator portfolio company. As at December 31, 2019, our financial assets primarily consist of our incubation portfolio companies. Proviva, one of our incubation portfolio company constituted a significant investment of the Group. On June 28, 2019, the Group entered into an agreement to acquire 35% shareholding interest of the fully diluted equity of Proviva for approximately US$12,560,753 (in a combination of US$10,000,000 cash and US$2,560,753 equity-for-service business). On December 31, 2019, the Group disposed of 4% shareholding interest of its 35% shareholding interest in the fully diluted equity of Proviva for a consideration of US$4,000,000. As of the date of this annual report, the transaction was completed. As of December 31, 2019, the transaction was still on-going and was recorded as a financial asset at fair value through profit or loss of the Group of approximately RMB240,678,000 representing approximately 12.68% of the Group's total asset as of December 31, 2019. The Group recorded a gain on fair value change of approximately RMB157,329,000 on its investment in Proviva for the Reporting Period.

Proviva is a company with a focus on the research and development of a pro-cytokine (Zitokine) fusion protein platform, for the treatment of cancer and infectious diseases. The Company's decision on investment in Proviva is mainly based on the founder's years of experience in new drug research and development, the innovation of the platform, its indications and broad market prospects. Meanwhile, the technical services required for Proviva's early-stage research and development are highly synergic with the Company's leading technology platform. The Company will continue to pay attention to and regularly follow up on its research and development progress and financing needs, provide timely technical services within our capabilities, bridge industrial resources and investors, etc., and assist it in advancing its progress for pre-clinical and clinical trials. Based on the progress of its financing, the Company will continue to evaluate and make reasonable arrangements on partial exit of our equity interest.

Saved as disclosed in this annual 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 December 31, 2019, a building with a carrying amount of approximately RMB5.3 million was pledged to secure borrowings of the Group.

Capital Expenditure and Commitments

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

As of December 31, 2019, the Group has a capital commitment of RMB355.0 million as compared to the capital commitment of RMB346.3 million for the year ended December 31, 2018. The capital commitment was primarily attributable to an investment agreement entered between the Group and the People's Government of Wenjiang District of Chengdu to acquire land for new laboratories and production facilities. The Group intend to fund such capital expenditure with cash flow generated from its operation and partial proceeds from the Global Offering.

Contingent Liabilities

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

Future Plan for Material Investment and Capital Assets

Save as disclosed in the Prospectus, this annual report and other announcements (including but not limited to the Company's announcement dated December 27, 2019 on potential strategic investment and cooperation with Zhejiang Langhua Pharmaceutical Co., Ltd.) published by the Company up to the date of this annual report, the Group does not have other plans for material investments and capital assets for Reporting Period and up to the date of this annual report.

Currency Risk

Certain entities in our Group have foreign currency sales and purchases, which exposes us to foreign currency risk. In addition, certain entities in our Group also have other payables and receivables which are denominated in currencies other than their respective functional currencies. We recorded a net foreign exchange gain of approximately RMB32.7 million and approximately RMB14.6 million for the Reporting Period and the year ended December 31, 2018, respectively. We are exposed to the foreign currency of U.S. dollars as part of our revenue was generated from sales denominated in U.S. dollars as well as deposits denominated in U.S. dollars. We purchased various bank foreign exchange wealth management products to hedge against our exposure to currency risk during the Reporting Period and up to the date of this annual report. Our management will continue to evaluate the Group's foreign exchange risk and take actions as appropriate to minimize the Group's exposure whenever necessary.

RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

As at December 31, 2019, the Group had a total of 731 (2018: 486) employees and the total staff costs for the Reporting Period (including directors' emoluments) were RMB151.7 million. Remuneration of our employee is determined with reference to market conditions and individual employees' performance, qualification and experience. In line with the performance of the Group and individual employees, a competitive remuneration package is offered to retain employees, including salaries, discretionary bonuses and contributions to benefit plans (including pensions). During the Reporting Period, the relationship between the Group and our employees has been stable. We had not experienced any strikes or other labor disputes which materially affected our business activities. We provide training programs to employees, including new hire orientation and continuous on-the-job training in order to accelerate the learning progress and improve the knowledge and skill levels of our employees.

The Group actively maintains sound relationships with customers and endeavors to provide quality services to customers. Our project team communicates with customers through e-mail, reports and regular teleconferences. Our project management strictly abides by the gist of our strategy to protect the intellectual property rights and other confidential information of customers. We often conduct satisfaction surveys with certain major customers, which enables us to improve relevant rules, implementation, evaluation and support to ensure sustainable development. During the Reporting Period, there were no major or material disputes between the Group and its customers.

The Group regards suppliers as significant business partners and is committed to safeguarding the interests and long-term relationship of both parties to ensure that the Group obtains reasonable prices and stable supplies. We mainly purchase raw materials and equipment from several suppliers located in China or with branches or subsidiaries in China. The Group continuously strengthens management of suppliers and maintains stable business relationship with suppliers. During the Reporting Period, there was no material impact on the operation of the Group as result of dependence on any of its major suppliers.

SHARE INCENTIVE SCHEMES

The Group has adopted certain pre-IPO share incentive schemes (the "**Pre-IPO Share Incentive Schemes**") in 2009 and 2018 to provide incentives to eligible employees of the Group. During the Reporting Period, 88,901,398 share options were exercised by directors and employees of the Group. As at December 31, 2019, an aggregate of 2,194,555 outstanding share options were exercisable under the Pre-IPO Share Incentive Schemes. As at December 31, 2019, outstanding options granted under the Pre-IPO Share Incentive Schemes and shares issued pursuant to the exercise of pre-IPO share options were held by trustees of relevant trusts set up for administering the Group's employee incentive schemes.

The Group further adopted Post-IPO Share Option Scheme on April 14, 2019. During the Reporting Period, no options have been granted, exercised or canceled, or agreed to be granted, under the Post-IPO Share Option Scheme.

Report of Directors

The Board of the Company is pleased to present this annual report of Directors together with the audited consolidated financial statements of the Group for the year ended December 31, 2019.

DIRECTORS

The Directors who held office during the year ended December 31, 2019 and up to the date of this annual report are:

Executive Directors:
Mr. MAO Chen Cheney (毛晨) *(Chairman)*
Mr. WU Ying (吳鷹)
Mr. HUA Fengmao (華風茂)
Mr. REN Delin (任德林)

Non-Executive Directors:
Ms. MAO Jun (毛雋)
Mr. John WU Jiong (吳烱) (resigned on March 30, 2020)
Ms. SUN Yanyan (孫妍妍) (appointed on March 30, 2020)

Independent Non-executive Directors:
Mr. FU Lei (傅磊)
Ms. LI Xiangrong (李向荣)
Mr. WANG Haiguang (王海光)

Biographical details of the Directors and senior management of the Group are set out in the section headed "Directors and Senior Management" on pages 36 to 44 of this annual report.

GLOBAL OFFERING

The Company was incorporated in the Cayman Islands on August 27, 2008 as an exempted limited liability company. The Company's ordinary shares (the "**Shares**") were listed on the Main Board of the Stock Exchange on May 9, 2019.

PRINCIPAL ACTIVITIES

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.

The activities and particulars of the Company's subsidiaries are shown under Note 1 to the consolidated financial statements. An analysis of the Group's revenue and net results for the year ended December 31, 2019 by principal activities of the Group is set out in the section headed "Management Discussion and Analysis" in this annual report.

BUSINESS REVIEW

A fair review of the business of the Group as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including an analysis of the Group's financial performance, an indication of likely future developments in the Group's business and the Group's key relationships with its stakeholders who have a significant impact on the Group and on which the Group's success depends, is set out in the section headed "Management Discussion and Analysis" of this annual report. These discussions form part of this annual report. Events affecting the Company that have occurred since the end of the financial year is set out in the section headed "Important Events After The Reporting Date" in this annual report.

PRINCIPAL RISKS AND UNCERTAINTIES

The following list is a summary of certain principal risks and uncertainties facing the Group, some of which are beyond its control.

- **Risks in relation to Intensified Competition in Pharmaceutical R&D Service Industry**

  At present, the global pharmaceutical research and development service market is getting increasingly competitive. Competitors of the Company in specific service fields mainly include various professional CRO/CMO institutions or the research and development departments of large pharmaceutical enterprises, most of which are international large pharmaceutical enterprises or research and development institutions and they may have stronger financial resources, technical capabilities and customer coverage than the Company. In addition to the mature competitors mentioned above, the Company also faces competition from new market players, who either have stronger financial strength, more effective business channels, or stronger research strength in business segments. If the Company cannot continue to strengthen its own comprehensive research and development technology advantages and various commercial competitive advantages, it will face risks caused by intensified competition in the pharmaceutical market and weakening of its own competitive advantages.

- **Risks in relation to Turnover of Core Technicians/Chief Executives**

  The Company's core technicians and chief executives are an important part of the Company's core competitiveness, and are also the foundation and key to the Company's survival and development. Whether the Company can maintain the stability of the technical staff and senior management team, and continuously attract outstanding talents depends on whether the Company can continue to maintain its technological leading edge in the industry, as well as the stability and durability of research and development and production services. We will continue to attract and retain highly skilled scientists, management personnel and other technical personnel. However, if the Company's salary level loses its competitive advantage compared with competitors in the same industry, the incentive mechanism for core personnel cannot be implemented, or the human resources control and internal promotion system cannot be effectively implemented, the Company's core technical personnel and senior management will be lost, thus adversely affecting the Company's reputation, business, core competitiveness and sustainable profitability.

- **Risks in relation to Decline in Market Demand for Pharmaceutical R&D Services**

  The Company's business depends on the number and scale of drug discovery service contracts of clients (including multinational pharmaceutical companies, biotechnology companies, start-ups, scholars and non-profit research institutions, etc.). In the past, thanks to the continuous growth of the global bio-pharmaceutical market, the increase in the R&D budget of customers and the increase in the proportion of customer outsourcing, customers' demand for the Company's services continued to rise. If the development trend of the industry slows down in the future, or the outsourcing ratio drops, it may have adverse effects on the Company's business. In addition, the merger and consolidation of bio-pharmaceutical industry and budget adjustment may also affect the R&D expenditure and outsourcing demand of customers and adversely affect the Company's business.

- **Risks in relation to Foreign Exchange**

  During the Reporting Period, revenue from the Company's primary business was derived from sales denominated in US dollars, and foreign currency risks were mainly related to US dollars. Most of our service costs, operating costs and expenses are denominated in Renminbi. If Renminbi continues to appreciate significantly in the future, our profits will be under pressure, and we may not be able to price service contracts in currencies other than US dollars. Although we purchased various bank foreign exchange wealth management products to hedge against our exposure to currency risk during the Reporting Period, the possibility and effectiveness of hedging are limited, so we may not be able to successfully hedge currency risks.

- **Risks in relation to Lower-than Expected Incubation Portfolio Returns**

  Our incubation portfolio companies are mainly start-ups engaged in new drug research and development. Given that these companies are still in development stage with high possibility of failure. These companies may also have a short operating history and need a large amount of funds to develop their business and enhance their market strength. Our investment in these companies at early stage of development is speculative and involves many risks. Whether the incubation portfolio companies can achieve satisfactory business and financial performance is affected by a number of factors beyond our control. We may not be able to realize the expected return on such incubation portfolio companies, and may even lose some or all of our investment.

- **Risks in relation to Operating Results Subject to Changes in Fair Value of Incubation Portfolio Companies**

  Incubation portfolio companies under the EFS model are private companies, of which the market price generally cannot be determined. Therefore, the fair value of our investment may vary depending on the valuer, the valuation method used and other factors. Due to significant uncertainties in the valuation or value stability of illiquid investments, the fair market value may not reflect the actual liquidation value of the equity of the incubation portfolio companies that we may acquire when the investment is realized. Therefore, there is significant uncertainty in the amount and timing of revenue recognized under EFS model, and the profit and loss arising from changes in the fair value of these equities will affect our operating results during the period when the changes occur, and the impact may be significant.

- **Risks in relation to Uncertainty of Global Political and Economic Environment**

  During the Reporting Period, the Company's overseas revenue accounted for a large proportion of its revenue from primary business. For example, laws and regulations of the countries and regions where the overseas business is located (including but not limited to investment requirements or restrictions on foreign companies), major changes in industrial policies or political and economic environment, or unpredictable factors such as international tensions, wars, trade sanctions, foreign investment and changes in export control laws and regulations, or other force majeure which may affect the overseas business status, may lead to a decline in the Company's service demand and bring potential adverse effects on the future sustainable development.

However, the above is not an exhaustive list. Investors are advised to make their own judgment or consult their own investment advisors before making any investment in the Shares.

ENVIRONMENTAL POLICIES AND PERFORMANCE

Our operations and facilities are subject to extensive environmental protection and health and safety laws and regulations, which govern, among other things, the generation, storage, handling, use and transportation of hazardous materials and the handling and disposal of hazardous and biohazardous waste generated at our facilities. These laws and regulations generally impose liability regardless of the negligence or fault of a responsible party, unless it has legally defined immunities. These laws and regulations also require us to obtain permits from governmental authorities for certain operations.

Our environmental, safety and health department is responsible for overseeing the implementation of our measures and procedures to ensure our compliance with the applicable environmental protection and health and safety laws and regulations and the health and safety of our employees. These measures and procedures include (i) adopting protective measures at our facilities, (ii) promulgating safety operation procedures relating to various aspects of our integrated services, such as the use and storage of chemicals and operation of equipment, (iii) promulgating specific rules about the purchase, storage, handling, use and transportation of hazardous materials and the handling and disposal of hazardous and biohazardous waste generated at our facilities, (iv) engaging professional waste-disposal companies to manage the disposal of hazardous and biohazardous waste, (v) providing regular safety awareness training to our employees, and (vi) maintaining a system of recording and handling accidents and implementation of relevant policies, and a health and work safety compliance record.

The Group is committed to the long term sustainability of the environment and communities. The Group endeavours to comply with relevant laws and regulations regarding environmental protection and related matters.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board and management are aware, the Group has complied in all material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year ended December 31, 2019, there was no material breach of, or non-compliance, with applicable laws and regulations by the Group.

RETIREMENT BENEFITS SCHEME

The Group does not have any employee who is required to participate in the Mandatory Provident Fund in Hong Kong. The employees of the PRC subsidiaries are members of the state-managed retirement benefits scheme operated by the PRC government. The employees of the PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to this retirement benefits scheme is to make the required contributions under the scheme.

Details of the pension obligations of the Company are set out in Note 36 to the consolidated financial statements in this annual report.

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTION

Details of the related party transactions of the Group for the year ended December 31, 2019 are set out in Note 39 to the consolidated financial statements contained herein.

None of the related party transactions constitute a connected transaction or continuing connected transaction under Chapter 14A of the Listing Rules.

During the year ended December 31, 2019, the Group has not entered into any connected transaction or continuing connected transaction which should be disclosed pursuant to the requirements of Rule 14A.71 of the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended December 31, 2019, the revenue amounts from the Group's five largest customers accounted for 26.7% (2018: 26.5%) of the Group's total revenue and the revenue amount from our single largest customer accounted for 7.2% (2018: 5.9%) of the Group's total revenue.

None of the Directors, their respective close associates, or any shareholder of the Company who, to the knowledge of the Directors, owns more than 5% of the Company's issued capital, has any interest in any of the Group's five largest customers.

For the year ended December 31, 2019, purchases from the Group's five largest suppliers accounted for approximately 32.0% (2018: 30.9%) of the Group's total purchase amount in the same year. The Group's largest supplier for the year ended December 31, 2019 accounted for approximately 7.5% (2018: 8.9%) of the Group's total purchase amount for the same year.

None of the Directors, their respective close associates, or any shareholder of the Company who, to the knowledge of the Directors, owns more than 5% of the Company's issued capital, has any interest in any of the Group's five largest suppliers.

During the year ended December 31, 2019, the Group did not experience any significant disputes with its customers or suppliers.

FINANCIAL SUMMARY

A summary of the audited consolidated results and the assets and liabilities of the Group for the last four financial years, as extracted from the audited consolidated financial statements, is set out on page 6 of this annual report. This summary does not form part of the audited consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

TAX RELIEF AND EXEMPTION OF HOLDERS OF LISTED SECURITIES

The Company is not aware of any tax relief or exemption available to the Shareholders of the Company by reason of their respective holding of the Company's securities.

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in Note 40 to the consolidated financial statements.

PROPERTY AND EQUIPMENT

Details of movements in the property and equipment of the Company and the Group during the year ended December 31, 2019 are set out in Note 14 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended December 31, 2019 are set out in Note 31 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

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

DEBENTURE ISSUED

The Group did not issue any debenture during the year ended December, 31 2019.

EQUITY-LINKED AGREEMENTS

Save for the Pre-IPO Share Incentive Schemes and the Post-IPO Share Option Scheme as set out in this annual report, no equity-linked agreements were entered into by the Group, or existed during the year ended December 31, 2019.

RESULTS AND DIVIDEND

The consolidation results of the Group for the year ended December 31, 2019 are set out on page 81 of this annual report.

The Board has resolved to recommend the declaration and payment of a final dividend of HK$0.015 per share for the year ended December 31, 2019. Subject to the approval of the Shareholders at the forthcoming annual general meeting of the Company, the proposed final dividend is expected to be paid on or about July 10, 2020. As disclosed in the interim results announcement dated August 27, 2019, the Board has resolved to declare an interim dividend of HK$0.005 per share for the six months ended June 30, 2019.

PERMITTED INDEMNITY

Pursuant to the Articles of Association and subject to the applicable laws and regulations, every Director, Auditor or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director, Auditor or other officer of the Company in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted.

Such permitted indemnity provision has been in force for the year ended December 31, 2019. The Company has taken out liability insurance to provide appropriate coverage for the Directors.

DISTRIBUTABLE RESERVES

Details of the movements in the reserves of the Group and the Company during the year ended December 31, 2019 are set out on page 84 to the consolidated financial statements. The distributable reserves of the Company as at December 31, 2019 were RMB1,298.7 million (2018: RMB47.3 million).

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as at December 31, 2019 are set out in the section headed "Management Discussion and Analysis" in this Annual Report and Note 27 to the consolidated financial statements.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company for an initial term of three years or until the third general meeting of the Company commencing from the Listing Date (whichever is earlier), which may be terminated by not less than three months' notice in writing served by either the executive Director or our Company.

Each of the non-executive Directors and independent non-executive Directors has signed a letter of appointment with the Company for an initial term of three years or until the third general meeting of the Company commencing from the Listing Date (whichever is earlier), which may be terminated by not less than three months' notice in writing served by either the non-executive Director/independent non-executive Director or our Company.

None of the Directors proposed has a service contract which is not terminable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed below, none of the Directors nor any entity connected with the Directors had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party subsisting has entered into any service agreement or letter of appointment with any member of the Group (excluding agreements expiring or determinable by any member of the Group within one year without payment of compensation other than statutory compensation) during or at the end of the year ended December 31, 2019.

On December 31, 2019, Viva Incubator Investment Management Limited, a wholly-owned subsidiary of the Company, entered into a share transfer agreement with five purchasers for the sale of 2,000,000 series seed preferred shares ("**Proviva Sale Shares**") in Proviva for a total consideration of US$4,000,000 as further detailed in the Company's announcement dated December 31, 2019. Amongst the five purchasers, JMCR Partners Limited is an investment holding company wholly-owned by Ms. Mao Jun and a purchaser of 175,000 Proviva Sale Shares and Fenghe Gamma Limited is an investment holding company and an associate of Mr. John Wu Jiong and a purchaser of 250,000 Proviva Sale Shares. At the time of the transaction, Ms. Mao Jun and Mr. John Wu Jiong were non-executive Directors of the Company and as all the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) of the transactions contemplated under the Share Transfer Agreement (in relation to the connected persons) are less than 0.1%, such transactions constitute de minimus transactions of the Company under Rule 14A.76 of the Listing Rules and are exempted from the reporting, announcement and independent shareholders' approval requirement.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year, none of the Directors or their respective close associates (as defined in the Listing Rules) had any interest in a business that competed or was likely to compete, either directly or indirectly, with the business of the Group, other than being a director of the Company and/or its subsidiaries.

DEED OF NON-COMPETITION

Mr. Mao entered into the deed of non-competition ("**Deed of Non-competition**") in favour of the Company, pursuant to which he has irrevocably given certain non-competition undertakings to the Company. Details of the Deed of Non-competition are set out in the section headed "Relationship with our Controlling Shareholders – Non-competition Undertakings" in the Prospectus.

During the Reporting Period, no written notice of any New Business Opportunity (as defined in the Deed of Non-competition) had been received by the Company. Mr. Mao confirmed that they have complied with the Deed of Non-competition for the year ended December 31, 2019 (the "**Confirmation**"). Upon receiving the Confirmation, the independent non-executive Directors of the Company have reviewed the same as part of the annual review process. In view of the above, the independent non-executive Directors have confirmed that, as far as they can ascertain, there is no breach by any of the Controlling Shareholders of the non-competition undertakings in the Deed of Non-competition given by them.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

Details of the shares repurchased are as follows:

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

(1) Aggregate consideration inclusive of expenses.

Save as disclosed above, neither the Company nor any member of the Group purchased, sold or redeemed any of the Shares since the Listing Date during the year ended December 31, 2019. Please refer to the section headed "Share Incentive Schemes – Pre-IPO Share Incentive Scheme" for information in relation to the issue of Shares pursuant to options exercised under the Pre-IPO Share Incentive Scheme.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the Pre-IPO Share Incentive Schemes and the Post-IPO Share Option Scheme as disclosed under the section headed "Share Incentive Schemes" in this annual report, at no time during the year under review was the Company, its holding company, or any of its subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debt securities including debentures of, the Company or any other body corporate.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

The emoluments of the Directors and senior management of the Group are decided by the Board with reference to the recommendation given by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market statistics.

Details of the Directors' emoluments and emoluments of the five highest paid individual in the Group are set out in Note 11 to the consolidated financial statements on pages 133 to 135 of this annual report.

For the year ended December 31, 2019, no emoluments were paid by the Group to any Director or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors has waived or agreed to waive any emoluments for the year ended December 31, 2019.

The Company has also adopted the Pre-IPO Share Incentive Schemes and the Post-IPO Share Option Scheme as incentive for Directors and eligible employees. Details of the said schemes are set out under the section headed "Share Incentive Schemes" in this annual report and in Note 32 to the consolidated financial statements on pages 162 to 165 of this annual report.

Except as disclosed above, no other payments have been made or are payable, for the year ended December 31, 2019, by the Group to or on behalf of any of the Directors.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

No contract of significance has been entered into among the Company or any of its subsidiaries and the Controlling Shareholders during the year ended December 31, 2019 or subsisted at the end of the year.

MANAGEMENT CONTRACTS

No contract, concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year ended December 31, 2019.

MATERIAL LEGAL PROCEEDINGS

The Group was not involved in any material legal proceeding during the year ended December 31, 2019.

AUDITOR

The Shares were only listed on the Stock Exchange on May 9, 2019, and there has been no change in auditors since the Listing Date. The consolidated financial statements for the year ended December 31, 2019 have been audited by Deloitte Touche Tohmatsu, Certified Public Accountants.

ANNUAL GENERAL MEETING

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

CLOSURE OF THE REGISTER OF MEMBERS

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

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

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

Directors and Senior Management

The Board consists of four executive Directors, two non-executive Directors and three independent non-executive Directors.

DIRECTORS

Executive Directors

Mr. MAO Chen Cheney (毛晨), aged 58, was appointed as the Chairman, chief executive officer and an executive Director of our Company on July 3, 2018, and is mainly responsible for the overall strategic planning and business development of the Group. Mr. Mao has over 23 years of experience in the CRO industry. Mr. Mao has served as the chief executive director of Viva Biotech Shanghai since joining our Group in August 2008 and currently serves as the chief executive officer of all our subsidiaries, except Viva Incubator Shanghai, where he serves as the chairman of the board of directors. Mr. Mao's work experience prior to joining our Group is set forth below.

- From July 1997 to February 2003, he served as a director of the Department of Structural Biology of Parker Hughes Institute, a research institute devoted to structure-based drug discovery.

- From August 2002 to August 2003, he served as a reviewer on the U.S. National Institutes of Health Review Panel ZRG1 AARR-1 (50) in relation to AIDS-related structural biology projects grants.

- From August 2003 to May 2008, Mr. Mao served as the vice president of Medicilon Inc. and its subsidiary Shanghai Medicilon Inc., which are companies primarily engaged in biomedical research and development. Mr. Mao was also one of the founders of Medicilon Inc. and Shanghai Medicilon Inc. and was responsible for the overall operations of the group and leading research projects.

Mr. Mao obtained his bachelor's degree in radiochemistry and master's degree in physical chemistry from Fudan University (復旦大學) in the PRC in July 1983 and July 1986, respectively. He was a lecturer and an assistant researcher at Shanghai Institute of Organic Chemistry of the Chinese Academy of Sciences (中國科學院上海有機化學研究所) in the PRC from September 1986 and August 1987 and from September 1987 to August 1990, respectively. He obtained his Ph.D. degree in biochemistry from Cornell University in the U.S. in May 1995 and was a postdoctoral research associate at Cornell University in the U.S. from September 1991 to May 1995. He was a postdoctoral research associate in biochemistry at Duke University Medical Center in the U.S. from May 1995 to October 1997. Mr. Mao has published about 45 research papers on topics including structure-based drug design. Mr. Mao is also the brother of Ms. Mao Jun, cousin of Mr. Wu and cousin-in-law of Mr. John Wu Jiong (non-executive Director who resigned on March 30, 2020).

Mr. WU Ying (吳鷹), aged 57, was appointed as a Director of the Company in September 2009 and was redesignated as an executive Director and appointed as our executive vice president on July 3, 2018, and is mainly responsible for the daily operation of the Group and customer relations. Mr. Wu has approximately eleven years of experience in the CRO industry. Mr. Wu joined our Group in August 2008 as a vice president of Viva Biotech Shanghai and currently serves as the chief operating officer and general manager of Viva Biotech Shanghai. Mr. Wu also serves as a director of Viva Biotech HK, executive director of Jiaxing Viva, executive director and general manager of Viva Incubator Shanghai and Sichuan Viva. From August 1982 to February 2008, Mr. Wu worked at Shanghai Teachers College for Vocational Studies (上海成人教師進修學院). Mr. Wu obtained his college diploma in mathematics from Shanghai Normal University (上海師範大學) in the PRC in July 1982. Mr. Wu obtained his graduate diploma in business administration from Hong Kong International Business College in Hong Kong in June 2010. Mr. Wu attended the advanced training course for chief financial officer offered by Shanghai University of Finance and Economics (上海財經大學) in the PRC from October 2013 to September 2014.

Mr. Wu is cousin of Mr. Mao Chen Cheney and Ms. Mao Jun, and cousin-in-law of Mr. John Wu Jiong (non-executive Director who resigned on March 30, 2020).

Mr. HUA Fengmao (華風茂), aged 51, was appointed as an executive Director and the chief financial officer of our Company on July 3, 2018, mainly responsible for the overall finance management and capital investment of the Group. Mr. Hua has approximately 21 years of experience in the investment banking industry. Mr. Hua previously worked at a number of investment banking firms where he was mainly responsible for corporate finance, public offering, reorganization, merger and acquisitions as well as other financial consulting work, the details of which are set forth below.

- From May 1999 to November 1999, Mr. Hua served as a manager at ICEA Capital Limited (工商東亞融資有限公司).
- From December 1999 to July 2003, Mr. Hua served as a general manager of corporate finance at Cazenove Asia Limited.
- From July 2003 to October 2005, Mr. Hua served as a managing director of the investment banking team at CLSA Limited.
- From April 2008 to August 2014, Mr. Hua served as the head of direct investment department and the head of investment banking department in BOCOM International Holdings Company Limited.

Mr. Hua obtained his bachelor's degree in English from Shanghai International Studies University (上海外國語大學) in the PRC in July 1989. He obtained master's degree in business administration from the International University of Japan in Japan in June 1997.

Mr. REN Delin (任德林), aged 60, was appointed as an executive Director and the president of our Company on July 3, 2018, mainly responsible for the overall management of our CRO business. Mr. Ren has approximately ten years of experience in the CRO industry. Mr. Ren served as the vice president of the Department of Biology of Viva Biotech Shanghai from May 2009 to August 2017 and has served as the general manager of Viva Biotech Shanghai since August 2017. Mr. Ren's work experience prior to joining our Group is set forth below.

- From January 1999 to April 2001, Mr. Ren served as a research scientist in the Warner-Lambert Pharmaceuticals LLC, an American pharmaceutical company which merged with Pfizer Inc. in 2001.

- Mr. Ren worked at the Global Research and Development Center of Pfizer Inc., an American pharmaceutical company, and served as a research scientist in the Metabolic Disease Division from January 2000 to April 2001, a senior scientist focusing on research and development of innovative drugs for central nervous system diseases from April 2001 to December 2003, a principal scientist focusing on research and development of innovative drugs for dermatology therapeutics from December 2003 to June 2007 and a principal scientist focusing on research and development of innovative drugs for cardiovascular and metabolic diseases and exploratory diabetes from July 2007 to April 2009.

Mr. Ren obtained his bachelor's degree in veterinary medicine from Shanxi Agricultural University (山西農業大學) in the PRC in July 1983. He obtained his master's degree in microbiology from Beijing Agricultural University (北京農業大學) in the PRC in July 1989. Mr. Ren obtained his Ph.D. degree in animal science from Michigan State University in the U.S. in December 1996 and was a post-doctoral research associate at the Department of Biochemistry of Michigan State University in the U.S. from January 1997 to December 1998. Mr. Ren has published about 10 research papers on topics including adipogenesis and fat-cell function in obesity and diabetes, among others.

Non-executive Directors

Ms. MAO Jun (毛雋), aged 56, was appointed as a non-executive Director of our Company on July 3, 2018. She is one of the co-founders of our Group and briefly served as a director of our Viva Biotech HK in June 2008. Ms. Mao is the founder and director of JMCR. She also serves as the legal representative of Shanghai Daidai Investment Consulting Co., Ltd. (上海岱岱投資諮詢有限公司) and is responsible for its overall management and operation. Ms. Mao's prior work experience is set forth below.

From November 1998 to January 2002, Ms. Mao served as an assistant vice president at Deutsche Bank. From April 2002 to February 2003, Ms. Mao worked at Nomura International plc. Ms. Mao was employed by UBS AG London Branch from November 2004 to January 2009, her last position with UBS AG London Brach was a director within the investment bank division. From June 2009 to January 2010, Ms. Mao served as a director at UBS AG Hong Kong Branch. From October 2010 to December 2012, Ms. Mao served as director in the wealth management department of UBS Securities Limited, and was mainly responsible for wealth management, financing and investment.

Ms. Mao obtained her bachelor's degree in physics from Fudan University in the PRC in July 1985. She obtained her Ph.D. degree in science from University of Leicester in the United Kingdom in July 1998. Ms. Mao currently holds the Fund Management Qualification Certificate (中國證券投資基金業從業證書) issued by the Asset Management Association of China (中國證券投資基金協會). Ms. Mao is also the sister of Mr. Mao Chen Cheney, cousin of Mr. Wu Ying and cousin-in-law of Mr. John Wu Jiong (non-executive Director who resigned on March 30, 2020).

Ms. SUN Yanyan (孫妍妍), aged 32, was appointed as a non-executive Director of our Company on March 30, 2020. Ms. Sun is an investment director of Fenghong Investment Management (Shanghai) Limited (風鴻投資管理(上海)有限公司, "**Fenghong Investment**"), an investment management company and is responsible for investment management in healthcare industry at her role at Fenghong Investment. Prior to joining Fenghong Investment, Ms. Sun has over 5 years of experiences working in the medical equipment industry with experience in corporate financing, investors' relations and marketing. Ms. Sun obtained her Ph.D degree from Fudan University in July 2014 and obtained her bachelor of science in biology from Nanchang University in July 2009.

Independent Non-executive Directors

Mr. FU Lei (傅磊), aged 57, was appointed as an independent non-executive Director on April 14, 2019. Mr. Fu has been a professor of medical chemistry in the School of Pharmacy of Shanghai Jiao Tong University since 2006. Mr. Fu was a lecturer at Fudan University and was an invited scientist at Free University from September 1990 to August 1993. From November 1998, Mr. Fu served as a principal investigator of Pharmacyclics, Inc., a U.S. company focusing on the developing and commercializing small-molecule medicines for the treatment of cancers and immunemediated diseases. Mr. Fu obtained his bachelor's degree in radiochemistry from Fudan University in the PRC in July 1984. He obtained his Ph.D. degree in chemistry from Stanford University in the U.S. in September 1997.

Ms. LI Xiangrong (李向荣), aged 47, was appointed an independent non-executive Director on April 14, 2019. Ms. Li was employed with Unilever for various positions from 1993 to 2010, including serving as the financial controller for greater China region from 2007 to 2010. Ms. Li served as the chief financial officer of Hengdeli Holdings Ltd (HK.3389) from 2010 to August 2014. Ms. Li served as the chief financial officer of Homeinns Hotel Group (previously listed on NASDAQ with stock ticker HMIN) from August 2014 to April 2016. Following merger of Homeinns Hotel Group and Beijing Tourist Hotel (Group) Co., Ltd. (北京首旅酒店(集團)股份有限公司) in April 2016, Ms. Li has served as the deputy general manager and financial controller of Beijing Tourist Hotel (Group) Co., Ltd. (北京首旅酒店(集團)股份有限公司) (600258) since then. Since September 6, 2019, Ms. Li was appointed as an independent director and served on the board of directors for MakeMyTrip Limited, an Indian online travel company (listed on NASDAQ with the stock ticker MMYT).

Ms. Li obtained a graduation certificate for her bachelor's degree in international accounting jointly awarded by the Shanghai University of Finance and Economics (上海財經大學) and Shanghai International Studies Institute (上海外國語學院, now known as Shanghai International Studies University (上海外國語大學)) in July 1993. She obtained a master's degree in executive management business administration from China Europe International Business School (中歐國際商學院) in September 2008 and is now a senior member of The Association of Chartered Certified Accountants and a member of The Chinese Institute of Certified Public Accountants (中國註冊會計師會).

Mr. WANG Haiguang (王海光), aged 57, was appointed as an independent non-executive Director on April 14, 2019. Mr. Wang was a teacher at Hangzhou University (杭州大學) (now merged into Zhejiang University (浙江大學)) from April 1983 to April 1984. Mr. Wang worked at the Publicity Department of Zhejiang Province from May 1984 to January 1990 and the General Office of the Party School of the Central Committee of the Communist Party of China from February 1990 to July 1995, respectively. From July 1995 to April 1997, Mr. Wang served as deputy general manager of Zhejiang World Trade Center Co., Ltd. (浙江世界貿易中心有限公司), a trading company, and was primarily responsible for day-to-day operations of the company. From May 1997 to June 2006, Mr. Wang served as the executive president, primarily responsible for day-to-day operations of the company, at Nandu Group Holding Co., Ltd. (南都集團控股有限公司). Mr. Wang has served as the chairman of the board of directors of Zhejiang Nandu Power Source Co., Ltd. (浙江南都電源動力股份有限公司, stock code: 300068), Narada Hotel Group, Zhejiang World Trade Center Co., Ltd. (浙江世界貿易中心有限公司), the vice executive president and director of Shanghai Nandu Group Co., Ltd. (上海南都集團有限公司) since June 2006, as well as the chairman of the board of directors of Zhejiang Vanke Nandu Real Estate Co., Ltd. (浙江萬科南都房地產有限公司) since October 2006.

Mr. Wang obtained his bachelor's degree in philosophy from Hangzhou University (杭州大學) (now merged into Zhejiang University) in the PRC in July 1983. Mr. Wang currently serves as the deputy chairman of The Listed Company Association of Zhejiang (浙江上市公司協會) and The Zhejiang Province Real Estate Industry Association (浙江省房地產行業協會).

SENIOR MANAGEMENT

Mr. MAO Chen Cheney (毛晨) was appointed as the chief executive officer of our Company on July 3, 2018. Please refer to " – Board of Directors – Executive Directors" for his biographical details.

Mr. WU Ying (吳鷹) was appointed as the executive vice president of our Company on July 3, 2018. Please refer to " – Board of Directors – Executive Directors" for his biographical details.

Mr. HUA Fengmao (華風茂) was appointed as the chief financial officer of our Company on July 3, 2018. Please refer to "– Board of Directors – Executive Directors" for his biographical details.

Mr. REN Delin (任德林) was appointed as the president of our Company on July 3, 2018. Please refer to "– Board of Directors – Executive Directors" for his biographical details.

Mr. YE Zhixiong (葉志雄), aged 60, was appointed as the chief scientific officer of our Company on July 10, 2018, and is mainly responsible for the research and development related matters. Mr. Ye served as the vice president of the Department of Chemistry in Viva Biotech Shanghai from September 2009 to July 1, 2017. Prior to joining our Group, Mr. Ye worked as a senior research fellow at Merck & Company, Inc. (NYSE: MRK), an American pharmaceutical company, for a period of over 13 years. During Mr. Ye's employment with Merck & Company, Inc., he participated and directed drug research and development projects targeted at diabetes, obesity and endocrine related diseases.

Mr. Ye obtained his bachelor's degree in chemistry from Fudan University (復旦大學) in the PRC in July 1982, and obtained his master's degree in chemistry from the Montana State University in the U.S. in July 1991. Mr. Ye obtained his Ph.D. degree in chemistry from the University of Minnesota in the U.S. in July 1996.

Mr. Cheng Xueheng (程學恒), aged 64, joined Viva Biotech Shanghai in September 2009 and was appointed as the chief technology officer of the Company on August 23, 2019. Prior to joining the Group, Mr. Cheng served as vice president and chief scientist officer at Excel Research from August 2008 to August 2009. From June 1995 to August 2008, he served as senior group leader of high throughput mass spectrometry laboratory at Abbott Laboratories. Mr. Cheng served as a senior scientist at Pacific Northwest National Laboratory in the U.S. from November 1992 to June 1995. Mr. Cheng worked as a research associate at the University of Maryland from September 1991 to October 1992. From September 1989 to September 1991, Mr. Cheng worked as a research associate at Harvard University. Mr. Cheng obtained his bachelor's degree in chemistry from Peking University in 1982. He obtained his Ph.D. degree in organic chemistry from Harvard University in 1989.

Mr. Xu David Daqiang (許大強), aged 56, joined our Group in 2019 and was appointed as the chief business officer of the Company on August 23, 2019. Prior to joining the Group, Mr. Xu was the vice president in charge of the Pharmaceutical Business Unit at Zhejiang Jiuzhou Pharmaceuticals Co. Ltd. (浙江九洲藥業股份有限公司) in 2018. From 2014 to 2017, he worked at Purdue Pharmaceuticals, LP, where he was the head of marketing for in-line products and head of new product planning for the pipeline products. From 2010 to 2014, Mr. Xu served as executive director and head of Specialty Product Franchise at Sandoz Inc., a division of Novartis group. From 2008 to 2010, Mr. Xu served as the head of the Chemical and Analytical Research and Development Unit at Suzhou Novartis Pharmaceutical Technology and as a general manager responsible for the operation of the unit. He also served at various positions at Novartis Pharmaceuticals Corp. (U.S.) from 1993 to 2008 in both research and development functions and commercial functions, with his last position being the associate director on the Femara brand team at Novartis Oncology Business Unit. Mr. Xu obtained his bachelor's degree in chemistry from Peking University in 1985. He obtained his Ph.D. degree in chemistry from University of California, Los Angeles, in 1991. He also obtained an MBA degree from the Wharton School of Business at University of Pennsylvania in 2001.

Mr. LIU Rongqiang (劉容強), aged 55, was appointed as the vice president of the Department of Chemistry of our Company on July 10, 2018 and is primarily responsible for the management of the Department of Chemistry. Mr. Liu joined our Group in March 2018 and has since served as the vice president of the Department of Chemistry of Viva Biotech Shanghai and the site head of Jiaxing Viva. From May 2001 to May 2008, Mr. Liu was a senior researcher at Pharmacopeia, Inc., a U.S. biopharmaceutical company which engages in the drug discovery and development and Mr. Liu's research were primarily concerning inflammatory diseases, central nervous system and Oncology. From August 2008 to August 2012, Mr. Liu served as a senior director in Shanghai ChemPartner Co., Ltd. (上海睿智化學研究有限公司), a CRO based in China, and was mainly responsible for providing chemistry support for a number of pharmaceutical companies. From September 2012 to November 2016, he served as a director of external medicinal chemistry at Merk, Sharp & Dohme Co., a leading pharmaceutical company in the world. From December 2016 to February 2018, he served as the executive director of medicinal chemistry at Shanghai Bioduro Co., Ltd. (上海諾潤生物科技有限公司), a company engaged in the provision of contract research services for drug research and development, and was responsible for the overall management and operation of the chemistry division. Mr. Liu obtained his bachelor's degree in chemistry and master's degree in organic chemistry from Nankai University (南開大學) in the PRC in September 1987 and September 1990, respectively. He obtained his Ph.D. degree in science from the University of Lausanne in Switzerland in November 1996. Mr. Liu was a postdoctoral research associate in bioorganic chemistry and peptide chemistry at the University of Minnesota in the U.S. from February 1997 to May 2001. Mr. Liu has published about 15 research papers on topics including anemia and anti-tumor kinase inhibitors.

Mr. WANG Jie (王傑), aged 54, was appointed as the vice president of the Department of Biology of our Company on July 10, 2018 and is mainly responsible for bioassay development and platform management in drug discovery. Mr. Wang joined our Group in January 2018 and has served as the vice president of the Department of Biology of Viva Biotech Shanghai since then, and is primarily responsible for bioassay development and platform management in drug discovery. Mr. Wang's work experience prior to joining our Group is set forth below.

- From November 2003 to November 2006, Mr. Wang consecutively served as a research associate and research assistant professor in the Department of Biochemistry and Molecular Biology at the University of Chicago. Prior to this, Mr. Wang served as an associate in the Howard Hughes Institute of Medicine at the University of Chicago, and was mainly responsible for research on islet cell biology and diabetes.

- From November 2006 to June 2012, Mr. Wang served as an assistant professor (tenuretrack) at the Division of Endocrinology, Diabetes and Metabolism in the Department of Internal Medicine at The Ohio State University, and was mainly responsible for research on islet cell biology and diabetes.

- From September 2012 to October 2017, he served as the principal scientist at the Lilly China Research and Development Co. Ltd, a U.S. pharmaceutical company primarily engaged in drug research and development, and was mainly responsible for reviewing potential drug targets, leading drug discovery and development projects for treatment of metabolic diseases such as diabetes, obesity and nonalcoholic steatohepatitis and leading pancreatic islet function and translational biomedicine platforms and sections.

Mr. Wang obtained his bachelor's degree in animal science and his master's degree in animal physiological and biochemical from Henan Agricultural University (河南農業大學) in the PRC in July 1986 and July 1991, respectively. He obtained a certificate of completion of the Ph.D. course in animal genetic engineering at China Agricultural University (中國農業大學, formerly known as Beijing Agricultural University (北京農業大學)) in the PRC in January 1995. Mr. Wang received his Ph.D. degree in physiological medical sciences from Japan Gunma University in Japan in March 2000. Mr. Wang has published over 20 research papers on topics including metabolic, beta-cell proinsulin structural biological processes, diabetes-related gene mutations and pathogenesis, development of new drugs for treatment of diabetes, among others.

JOINT COMPANY SECRETARY

Ms. FEI Xiaoyu (費曉玉), aged 33, was appointed as a joint company secretary of our Company on July 10, 2018. Ms. Fei joined our Group as an assistant to president in Viva Biotech Shanghai in July 2009. Starting from November 2011, Ms. Fei has been concurrently serving as assistant to president and officer manager in Viva Biotech Shanghai. Since joining our Group, she has mainly been responsible for assisting the chairman and the chief executive officer of Viva Biotech Shanghai in the daily operations and administrative matters of Viva Biotech Shanghai and has participated in the discussions of material decisions of the Group. Ms. Fei obtained her bachelor's degree in Japanese language from Shanghai Normal University (上海師範大學) in July 2009, and obtained her graduate diploma for completing the courses of mater of business administration from Hong Kong International Business College in June 2012.

Ms. CHAU Hing Ling (周慶齡), aged 45, was appointed as a joint company secretary of our company on July 10, 2018. She joined Vistra Corporate Services (HK) Limited ("**Vistra**") since June 2013 and now serves as a director of corporate services of Vistra, where she leads a team of professional staff to provide a full range of corporate services and listed company secretary services. Prior to joining Vistra, she was an associate director of corporate services of an international corporate services provider.

Ms. Chau has over 17 years of experience in the corporate services industry. She is currently the company secretary of several companies listed on the Stock Exchange. Ms. Chau received a Master of Laws degree majoring in corporate and financial law from The University of Hong Kong in November 2007. She has been a fellow member of the Chartered Governance Institute (formerly know as Institute of Chartered Secretaries and Administrators) and the Hong Kong Institute of Chartered Secretaries since May 2013.

CHANGES TO DIRECTORS' INFORMATION

The change in the Board and Director's Information since the date of the Company's 2019 interim report is set out below:

1. Since September 6, 2019, Ms. Li Xiangrong was appointed as an independent director and served on the board of directors for MakeMyTrip Limited, an Indian online travel company (listed on NASDAQ with the stock ticker MMYT).

Save as disclosed herein, the Directors confirm that no information is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

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

On behalf of the Board

MAO Chen Cheney
Chairman and Chief Executive Officer

Hong Kong, March 30, 2020

Corporate Governance Report

The Board of Directors is pleased to present the corporate governance report for the Company for the year ended December 31, 2019.

CORPORATE GOVERNANCE PRACTICES

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

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 December 31, 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, allow for effective and efficient planning and implementation of business decisions and strategies, and is beneficial to the business prospects and management of the Group. Although Mr. Mao performs both the roles of chairman and chief executive officer, the division of responsibilities between the chairman and chief executive officer is clearly established. In general, the chairman is responsible for supervising the functions and performance of the Board, while the chief executive officer is responsible for the management of the business of the Group. The two roles are performed by Mr. Mao distinctly. We also consider that the current structure does not impair the balance of power and authority between the Board and the management of the Company given the appropriate delegation of the power of the Board and the effective functions of the independent non-executive Directors. However, it is the long-term objective of the Company to have these two roles performed by separate individuals when suitable candidates are identified.

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 December 31, 2019.

BOARD OF DIRECTORS

The Board currently comprises four executive Directors, two non-executive Directors and three independent non-executive Directors.

The composition of the Board is as followings:

Executive Directors
Mr. MAO Chen Cheney (毛晨) *(Chairman)*
Mr. WU Ying (吳鷹)
Mr. HUA Fengmao (華風茂)
Mr. REN Delin (任德林)

Non-executive Directors
Ms. MAO Jun (毛雋)
Mr. John WU Jiong (吳炯) (resigned on March 30, 2020)
Ms. SUN Yanyan (孫妍妍) (appointed on March 30, 2020)

Independent non-executive Directors
Mr. FU Lei (傅磊)
Ms. LI Xiangrong (李向荣)
Mr. WANG Haiguang (王海光)

The biographical details of the Directors are set out in the section headed "Directors and Senior Management" on pages 36 to 44 of this Annual Report.

Save as disclosed in this annual report, none of the members of the Board is related to one another.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code provision A.2.1 of the CG Code stipulates that 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, allow for effective and efficient planning and implementation of business decisions and strategies, and is beneficial to the business prospects and management of the Group. Although Mr. Mao performs both the roles of chairman and chief executive officer, the division of responsibilities between the chairman and chief executive officer is clearly established. In general, the chairman is responsible for supervising the functions and performance of the Board, while the chief executive officer is responsible for the management of the business of the Group. The two roles are performed by Mr. Mao distinctly. We also consider that the current structure does not impair the balance of power and authority between the Board and the management of the Company given the appropriate delegation of the power of the Board and the effective functions of the independent non-executive Directors. However, it is the long-term objective of the Company to have these two roles performed by separate individuals when suitable candidates are identified.

DIRECTORS' AND SENIOR MANAGEMENT'S LIABILITY INSURANCE AND INDEMNITY

The Company has arranged appropriate liability insurance to indemnify the Directors and senior management of the Company for their liabilities arising out of corporate activities. The insurance coverage will be reviewed on an annual basis.

BOARD MEETINGS AND COMMITTEE MEETINGS

Code provision A.1.1 of the Corporate Governance Code stipulates that board meetings should be held at least four times a year at approximately quarterly intervals with active participation of the majority of the Directors, either in person or through electronic means of communications.

During the year ended December 31, 2019, five Board meetings were held at which the Board considered and approved the Global Offering, interim results announcement, interim report and other business affairs of the Group. The Company expects to continue to convene at least four regular meetings in each financial year at approximately quarterly intervals in accordance with code provision A.1.1 of the Corporate Governance Code.

A summary of the attendance record of the Directors at Board meetings and committee meetings is set out in the following table below:

	Number of meeting(s) attended/number of meeting(s) held for the year ended December 31, 2019			
Name of Director	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**[(2)]
Executive Directors:				
Mr. MAO Chen Cheney	5/5	N/A	N/A	0/0
Mr. WU Ying	5/5	N/A	N/A	N/A
Mr. HUA Fengmao	5/5	N/A	N/A	N/A
Mr. REN Delin	5/5	N/A	N/A	N/A
Non-executive Directors:				
Ms. MAO Jun	5/5	N/A	N/A	N/A
Mr. John WU Jiong[(1)]	4/5	N/A	N/A	N/A
Independent Non-executive Directors:				
Mr. FU Lei	4/4	2/2	1/1	0/0
Ms. LI Xiangrong	4/4	2/2	1/1	N/A
Mr. WANG Haiguang	4/4	2/2	1/1	0/0

Note 1: Mr. John WU Jiong was unable to attend the board meeting held on August 27, 2019 due to overseas engagements.

Note 2: During the period from the Listing Date to December 31, 2019, the Nomination Committee did not hold any meeting. Subsequent to the year end, the Nomination Committee held a meeting on March 30, 2020 to, among others, (i) review the diversity of the Board nomination policy in relation to the Board; (ii) assess the independence of the independent non-executive Directors; and (iii) recommend to the Board for consideration the appointment of Ms. Sun Yanyan as a non-executive Director.

NON-EXECUTIVE DIRECTORS AND INDEPENDENT NON-EXECUTIVE DIRECTORS

The Board has received from each of the independent non-executive Directors a written annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and considers each of them to be independent. Each of the non-executive Directors and independent non-executive Directors has signed a letter of appointment with the Company for an initial term of three years with effect from the date of the Prospectus or until the third annual general meeting of the Company since the Listing Date (whichever is sooner).

APPOINTMENT AND RE-ELECTION OF DIRECTORS

All the Directors are subject to retirement by rotation and re-election at annual general meeting. Pursuant to the Articles of Association, one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third) shall retire from office and be eligible for re-election at each annual general meeting, provided that every Director is subject to retirement by rotation at least once every three years. In addition, any new Director appointed to fill a casual vacancy or as an addition to the Board shall hold office only until the next following annual general meeting and be subject to re-election.

RESPONSIBILITIES, ACCOUNTABILITIES AND CONTRIBUTIONS OF THE BOARD AND MANAGEMENT

The Board is the primary decision making body of the Company and is responsible for overseeing the Group's businesses, strategic decisions and performance. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group.

To oversee particular aspects of the Company's affairs, the Board has established three Board committees including the audit committee, the remuneration committee and the nomination committee. The Board has delegated to the Board committees responsibilities as set out in their respective terms of reference. All Board committees are provided with sufficient resources to perform their duties.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

All Directors shall ensure that they carry out duties in good faith, in compliance with applicable laws and regulations and in the interests of the Company and its shareholders at all time.

The Group's senior management is responsible for the day-to-day management of the Group's business and is responsible for overseeing the general operation, business development, finance, marketing, and operations.

BOARD COMMITTEES

We have established the following committees in our Board: an audit committee, a remuneration committee and a nomination committee. The committees operate in accordance with terms of reference established by the Board.

Audit Committee

The Company has established an audit committee (with effect from the Listing Date) with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 and paragraph D.3 of the CG Code. The audit committee consists of three independent non-executive Directors being Ms. LI Xiangrong, Mr. WANG Haiguang and Mr. FU Lei. The chairman of the audit committee is Ms. LI Xiangrong. Ms. Li Xiangrong holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules. The primary duties of the audit committee are to review of the effectiveness of the financial reporting process, internal control and risk management systems of the Group, overseeing the audit process and performing other duties and responsibilities as assigned by the Board.

For the year ended December 31, 2019, the audit committee convened two meetings. The attendance record of the Directors at meetings of the audit committee is set out in the table on page 48.

During the meeting(s), the audit committee:

- reviewed interim results of the Group for the six-months ended June 30, 2019; and
- reviewed the financial reporting system, compliance procedures, internal control (including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function and risk management and internal control systems and processes).

Remuneration Committee

The Company has established a remuneration committee (with effect from the Listing Date) with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph B.1 of the CG Code. The remuneration committee consists of three independent non-executive Directors being Ms. Li Xiangrong, Mr. Wang Haiguang and Mr. Fu Lei. The remuneration committee is chaired by Ms. Li Xiangrong. The remuneration committee has adopted the second model described in paragraph B.1.2(c) under Appendix 14 to the Listing Rules (i.e. make recommendation to the Board on the remuneration packages of individual executive Director and senior management member). The primary duties of the remuneration committee are to review and make recommendations to the Board regarding the terms of remuneration packages, bonuses and other compensation payable to the Directors and senior management.

For the year ended December 31, 2019, the remuneration committee convened one meeting. The attendance record of the Directors at meetings of the remuneration committee is set out in the table on page 48.

During the meeting, the remuneration committee reviewed the Company's policy and structure for the remuneration of all the Directors and senior management and the remuneration packages of the executive Directors and senior management of the Group.

Details of the remuneration payable to each Director of the Company for the year ended December 31, 2019 are set out in Note 11 to the Financial Statements.

The remuneration of the members of senior management by band for the year ended December 31, 2019 is set out below:

Remuneration Bands *(RMB)*	**Number of Persons**
2,000,000-3,000,000	4
1,000,000-2,000,000	5
TOTAL	9

Nomination Committee

The Company has established a nomination committee (with effect from the Listing Date) with written terms of reference in compliance with paragraph A.5 of the CG Code. The nomination committee consists of one executive Director, being Mr. Mao, and two independent non-executive Directors, being Mr. Fu Lei and Mr. Wang Haiguang. The chairman of the Nomination Committee is Mr. Mao. The primary duties of the nomination committee include, without limitation, reviewing the structure, size and composition of our Board, assessing the independence of independent non-executive Directors and making recommendations to our Board on matters relating to the appointment of Directors.

For the year ended December 31, 2019, as the Company was only listed on May 9, 2019, the nomination committee did not convene any meeting.

Board Diversity Policy

The Company has adopted a board diversity policy (the "**Diversity Policy**") which sets out the approach to achieve diversity of the Board. The Company embraces the benefits of having a diverse Board to enhance the quality of its performance.

Pursuant to the Diversity Policy, the Company seeks to achieve Board diversity through the consideration of a number of aspects, including, but not limited to, gender, age, culture and educational background, professional qualifications, skills, knowledge and industry and regional experience.

In identifying and selecting suitable candidates to serve as a director of the Company, the nomination committee would consider the above criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendations to the Board.

The Board will consider setting measurable objectives to implement the Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives. At present, the Board has not set any measurable objectives.

The nomination committee will review the Diversity Policy, as appropriate, to ensure its effectiveness. Further details on the biographies and experience of the Directors are set out on page 36 to page 44 of this annual report.

The nomination committee has reviewed the membership, structure and composition of the Board, and is of the opinion that the structure of the Board is reasonable, and the experiences and skills of the Directors in various aspects and fields can enable the Company to maintain high standard of operation.

Dividend Policy

We may declare and pay dividends by way of cash or by other means that we consider appropriate in the future. Distribution of dividends shall be formulated by our Board at its discretion and will be subject to shareholders' approval. A decision to declare or to pay any dividends in the future, and the amount of any dividends, will depend on, among other things, our results of operations, cash flows and financial condition, operating and capital expenditure requirements, distributable profits as determined under IFRS, our Articles of Association, the Companies Law and any other applicable law and regulations and other factors that our Directors may consider relevant. In addition, declaration and/or payment of dividends may be limited by legal restrictions and/or by financing agreements that we may enter into in the future.

Our Board currently intends, subject to the approval of our shareholders and unless otherwise required by applicable laws, to distribute to our shareholders up to 40% of any distributable profit (excluding any unrealized fair value gains from our incubation portfolio companies) for the financial year ended December 31, 2019 and each year thereafter provided that the Company shall have sufficient working capital for business operations. There is, however, no assurance that dividends of such amount or any amount will be declared or distributed in such year or in any given year.

Nomination Policy

The Company has adopted a nomination policy (the "**Nomination Policy**") which sets out the selection criteria and procedures to nominate board candidates. The Nomination Policy aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business.

Pursuant to the Nomination Policy, the nomination committee shall identify suitable board candidates and make recommendation to the Board, after accessing a number of factors of a proposed candidate, including, but not limited to, reputation, professional skills, independence of proposed independent non-executive Directors and diversity in all aspect. The Board shall have the final decision in relation to its nomination of any candidates to stand for election at a general meeting.

The nomination committee will review the Nomination Policy, as appropriate, and recommend revision to the Board for consideration and approval.

CORPORATE GOVERNANCE FUNCTION

The Board is responsible for performing the functions set out in code provision D.3.1 of the Corporate Governance Code.

The Board would review the Company's corporate governance policies and practices, training and continuous professional development of the Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, and the Company's compliance with the Corporate Governance Code and disclosure in its Corporate Governance Report.

The Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The company secretary of the Company may from time to time and as the circumstances require provide updated written training materials relating to the roles, functions and duties of a director of a company listed on the Stock Exchange.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended December 31, 2019.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

Pursuant to the code provision A.6.5 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

Pursuant to the code provision A.6.1 of the CG Code, each newly appointed Director should be provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under relevant statues, laws, rules and regulations.

During the period from the Listing Date to December 31, 2019 and up to the date of this annual report, the Directors were regularly briefed on the amendments to or updates on the relevant laws, rules and regulations.

All Directors, namely Mr. Mao Chen Cheney, Mr. Wu Ying, Mr. Hua Fengmao, Mr. Ren Delin, Ms. Mao Jun, Mr. John Wu Jiong (resigned on March 30, 2020), Ms. Sun Yanyan (appointed on March 30, 2020), Mr. Fu Lei, Ms. Li Xiangrong and Mr. Wang Haiguang, have been updated with the latest developments regarding the Listing Rules and other applicable regulatory requirements to ensure compliance and enhance their awareness of good corporate governance practices. In addition, continuing briefing and professional development to Directors will be arranged whenever necessary.

Prior to the listing of the Company, each of the aforesaid Directors have attended the training courses conducted by the legal adviser of the Company. The content of such training related to the duties of directors and on-going obligations of listed companies.

The Directors are asked to submit a signed training record to the Company on an annual basis.

AUDITORS' RESPONSIBILITY AND REMUNERATION

The Company appointed Deloitte Touche Tohmatsu, Certified Public Accountants ("**Deloitte**") as the external auditor for the year ended December 31, 2019. A statement by Deloitte about their reporting responsibilities for the financial statements is included in the Independent Auditor's Report on pages 79 to 80.

Details of the fees paid/payable in respect of the audit and non-audit services provided by Deloitte for the year ended December 31, 2019 are set out in the table below:

Services rendered for the Company	**Fees paid and payable** *RMB'000*
Audit services:	
Annual audit services	3,000
IPO Reporting Accountant	3,203
Non-audit services:	
Interim review services	900
Total	7,103

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness in order to achieve the Company's objectives. The Company adopted a series of internal control policies, measures, and procedures designed to provide reasonable assurance, which including effective standards, efficient operations, reliable financial reporting and compliance with applicable laws and regulations. The internal control system can only provide reasonable and not absolute assurance against material misstatement or loss, as they are designed to manage, rather than eliminate the risk of failure to achieve business objectives. Below is a summary of the internal control policies, measures, and procedures we have implemented:

- The Company conducted, through its internal audit team, an annual audit of the internal controls of each business department, a review on the effectiveness of the risk management and internal control systems and considered them effective and adequate. The audit included reviewing the management of financial statements, sales and receivables, purchasing and payment, fixed assets and intangible assets, human resource, research and development, nature and extent of significant risks (and the Company's ability to respond to such risks and changes). The audit procedures could be summarized as below, including not limited:

  1) Interview with responsible personnel;

2) Obtain and review the required documents;

3) Test the design and operating effectiveness of the internal control system

- The Company published the risk management and internal control policies, measures and procedures to ensure that the Company maintained reasonable and effective internal controls and compliance with applicable laws and regulations. Besides, the Company insisted on monitoring the implementation of internal control policies, measures, and procedures, making sure that they were the most updated version based on the current business model.

- The Company implemented the relevant internal control policies, measures and procedures on the site and making quarterly and annual regular inspections about the on-site implementation of such policies, measures, and procedures for each stage of the Company's drug discovery and development process.

- The Company adopted various measures and procedures regarding each aspect of the Company's business operation, such as project management, quality assurance, environmental protection, and occupational health and safety. The Company provided the periodic training for the employees, which was one part of Employee Training Program. The Company also required the staff to carry out business activities in accordance with relevant laws, regulations and Company policies by regularly communicating updates and reminders through emails, staff meetings.

- The Company has developed internal policies that provide general guide to the Company's Directors, officers, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries. Control procedures have been implemented to prevent unauthorized access and use of inside information.

- The Company has also developed a risk management process to identify, evaluate and manage significant risks and to resolve material internal control defects. Senior management of the Group is responsible for the risk reporting process. Risks identified are documented and mitigation plans are deviced. The risk assessment is reviewed by certain members of the senior management and presented to the Audit Committee and the Board for their review.

- The audit committee had the responsibility for monitoring the effectiveness of the risk management and internal control systems. It is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective internal control systems.

- The Company engaged Guotai Junan Capital Limited as the compliance adviser to provide professional advice to Directors and management team for the period commencing from the Listing Date and the ending on the date that our Company published its first full financial year results regarding of the Listing Rules.

COMPANY SECRETARY AND PRIMARY CONTACT OF THE COMPANY

The Company engaged Ms. Chau Hing Ling, the director of Corporate Services of Vistra Corporate Services (HK) Limited (a company secretarial service provider), as a joint company secretary of the Company. Ms. Fei Xiaoyu is another joint company secretary of the Company, and is the primary contact of Ms. Chau Hing Ling at the Company.

In compliance with Rule 3.29 of the Listing Rules, Ms. Fei Xiaoyu and Ms. Chau Hing Ling both undertook not less than 15 hours of relevant professional training to update their skills and knowledge during the year ended December 31, 2019.

GENERAL MEETING

The Company became listed on May 9, 2019. No general meeting was held after the Listing.

SHAREHOLDERS' RIGHTS

Convening of Extraordinary General Meetings ("EGM") by Shareholders

Pursuant to article 12.3 of the Articles of Association, the Board may, whenever it thinks fit, convene an EGM. General meetings shall also be convened on the written requisition of any two or more members deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionists, provided that such requisitionists held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company.

General meetings may also be convened on the written requisition of any one member which is a recognized clearing house (or its nominee(s)) deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionist, provided that such requisitionist held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company.

If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

Putting Forward Enquiries to the Board and Contact Details

For putting forward any enquiries to the Board of the Company, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Shareholders may send their enquiries or requests as mentioned above to the following:

Address: 334 Aidisheng Road, Zhangjiang Hi-tech Park, Shanghai 201203, China

Telephone: +86 21 60893288

Fax: +86 21 60893290

Email: info@vivabiotech.com

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings. At the forthcoming annual general meeting, Directors (or their delegates as appropriate) will be available to meet Shareholders and answer their enquiries.

The Company has maintained a website (www.vivabiotech.com) as the platform to communicate with the Shareholders and investors of the Company. The financial information and other information of the Company is published on such website for Shareholders' inspection.

CHANGES IN CONSTITUTIONAL DOCUMENTS

The Articles of Association has been amended and restated with effect from the Listing Date, and are available on the respective website of the Stock Exchange and the Company. Save as disclosed above, during the year ended December 31, 2019, the Company did not made any significant changes to its constitutional documents.

Other Information

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATIONS

As at December 31, 2019, the interests or short positions of the Directors or chief executives 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:

(i) Interest in Shares and underlying Shares

Name of Director	Nature of interest	Number of ordinary shares	Approximate percentage of the Company's issued share capital+
Mr. MAO Chen Cheney(2)	Beneficial owner	326,910,365	20.93%
	Trustee	87,782,186	5.62%
	Beneficiary of a trust (other than a discretionary interest)	66,425,976	4.25%
Mr. HUA Fengmao(3)	Interest in controlled corporation	123,857,056	7.93%
	Beneficial owner	10,533,863	0.67%
Ms. MAO Jun(4)	Beneficiary of a trust (other than a discretionary interest)	316,696,136	20.28%
Mr. WU John Jiong(5)	Interest in controlled corporation	255,784,592	16.38%
Mr. WU Ying(6)	Beneficiary of a trust (other than a discretionary interest)	4,358,386	0.28%
	Interest of spouse	4,164,654	0.27%
	Beneficial owner	11,791,587	0.75%
Mr. REN Delin(7)	Beneficiary of a trust (other than a discretionary interest)	5,266,931	0.34%
	Beneficial owner	9,553,317	0.61%

Notes:

(1) All shareholding interest as set out above are 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 December 31, 2019.

(ii) Interest 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	Approximate percentage of holding of such class of shares
Mr. MAO Chen Cheney	Anji Pharmaceuticals Inc.(2)	Interest in controlled corporation	Ordinary	12,398,500	24.80%
	Clues Therapeutics Inc.(2)	Interest in controlled corporation	Ordinary	16,000,000	14.00%
Mr. HUA Fengmao	Anji Pharmaceuticals Inc.(3)	Interest in controlled corporation	Ordinary	4,093,500	8.19%
	Anji Pharmaceuticals Inc.(3)	Interest in controlled corporation	Series seed preferred shares	1,500,000	7.06%
	Clues Therapeutics Inc.(3)	Interest in controlled corporation	Ordinary	6,400,000	5.60%
Ms. MAO Jun	Anji Pharmaceuticals Inc.(4)	Beneficiary of a trust (other than a discretionary interest)	Ordinary	10,117,000	20.23%
	Anji Pharmaceuticals Inc.(4)	Beneficiary of a trust (other than a discretionary interest)	Series seed preferred shares	5,000,000	23.53%
	Anji Pharmaceuticals Inc.(4)	Interest in controlled corporation	Series A-2 preferred shares	8,718,750	41.67%
	Clues Therapeutics Inc.(6)	Beneficiary of a trust (other than a discretionary interest)	Ordinary	8,000,000	7.00%
	Flash Therapeutics, LLC	Interest in controlled corporation	Class C preferred shares	210,732	100%
	Proviva Therapeutics, Inc(4)	Interest in controlled corporation	Series seed preferred shares	175,000	1.00%
Mr. WU John Jiong	Anji Pharmaceuticals Inc.(5)	Interest in controlled corporation	Ordinary	8,187,500	16.38%
	Anji Pharmaceuticals Inc.(5)	Interest in controlled corporation	Series seed preferred shares	5,375,000	25.29%
	Anji Pharmaceuticals Inc.(5)	Interest in controlled corporation	Series A-1 preferred shares	1,937,500	50%
	Anji Pharmaceuticals Inc.(5)	Interest in controlled corporation	Series A-2 preferred shares	3,487,500	16.67%
	Clues Therapeutics Inc.(5)	Interest in controlled corporation	Ordinary	13,714,286	12.00%
	Proviva Therapeutics, Inc(5)	Interest in controlled corporation	Series seed preferred shares	250,000	1.43%

Notes:

(1) All shareholding interest as set out above are 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. JMCR Partners Limited and ENLIGHT Shanghai Holdings Limited are wholly-owned by Ms. Mao and she is therefore deemed to be interested in the shares of Proviva Therapeutics, Inc, Flash Therapeutics, LLC and Anji Pharmaceuticals Inc. directly held by the two companies.

(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, Clues Therapeutics Inc. and Proviva Therapeutics, Inc directly and indirectly held by Fenghe Harvest (through itself, its interest in Fenghe Gamma Limited and FH Oriole Limited) 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 above, as at December 31, 2019, so far as is known to any Director or the chief executive of the Company, 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 AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at December 31, 2019, so far as the Directors are aware, the following persons (other than our Directors or chief executives of our Company) had interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of Shareholder	Capacity/Nature of interest	Number of ordinary shares	Approximate percentage+ of Company's issued share capital+
Zhang and Sons Limited(2)	Beneficial owner	159,433,021 (L)	10.21%
Fenghe Harvest Ltd(3)	Beneficial owner	154,821,323 (L)	9.91%
China Finance Strategies Investment DB Limited(4)	Beneficial owner	123,857,056 (L)	7.93%
Wu and Sons Limited(2)	Beneficial owner	94,045,721 (L)	6.02%
Z&M International Holdings Limited(2)	Interest in a controlled corporation	210,371,206 (L)	13.47%
Intertrust (Singapore) Ltd.(2)	Trustee	228,913,950 (L)	14.66%

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 December 31, 2019

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	Canceled during the Reporting Period	Lapsed during the Reporting Period	As of December 31, 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(6)	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)	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(6)	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	

Name and category of participant	Date of grant	As of Listing Date	Number of options: Exercised during the Reporting Period	Canceled during the Reporting Period	Lapsed during the Reporting Period	As of December 31, 2019	Vesting period
Other employees	August 1, 2009[6]	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	–	–	702,257	28,976,908	*(Note 2)*
	January 2, 2018	4,937,748	–	–	–	4,937,748	*(Note 3)*
Subtotal		79,780,838	45,163,925	–	702,257	33,914,656	
Total		148,724,968	88,901,398	–	702,257	59,121,313	

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 December 31, 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.

CORPORATE GOVERNANCE PRACTICES

The Company was incorporated in the Cayman Islands on August 27, 2008 with limited liability, and the shares of the Company were listed on the Main Board of the Stock Exchange on Listing Date.

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

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

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 December 31, 2019.

USE OF PROCEEDS FROM GLOBAL OFFERING

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

	Approximate % of total net proceeds	Planned use of actual net proceeds *RMB'million*	Utilized net proceeds up to December 31, 2019 (1) *RMB'million*	Proceeds unused (2) *RMB'million*	Expected timeline for utilizing the remaining balance of net proceeds from the Global Offering(3)
Expanding EFS model	30%	365.13	170.3	194.83	Expected to be fully utilized by December 31, 2021
Building up commercial & research manufacturing capabilities and capacities in contract manufacturing organization ("**CMO**")	30%	365.13	57.76	307.37	Expected to be fully utilized by December 31, 2021
Purchasing laboratory equipment and materials	10%	121.71	82.82	38.89	Expected to be fully utilized by June 30, 2020
Hiring, training and retaining biologics & chemical drug R&D personnel	10%	121.71	82.13	39.58	Expected to be fully utilized by June 30, 2020
Expanding CMO business	10%	121.71	20.0	101.71	Expected to be fully utilized by December 31, 2020
General corporate and working capital	10%	121.71	61.24	60.47	Expected to be fully utilized by December 31, 2020

Notes:

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

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

3. The Company intends to use the remaining unused 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.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

We have established an audit committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal controls system (including risk management) of the Group, review and approve connected transactions and provide advice and comments to the Board. The audit committee consists of three members, namely Ms. LI Xiangrong, Mr. WANG Haiguang and Mr. FU Lei. Ms. LI Xiangrong is the chairman of the audit committee.

The Audit Committee had reviewed together with the management and external auditor the accounting principles and policies adopted by the Company and the audited consolidated financial statements for the year ended December 31, 2019.

OTHER BOARD COMMITTEES

In addition to the audit committee, the Company has also established a nomination committee and remuneration committee.

IMPORTANT EVENTS AFTER THE REPORTING DATE

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

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

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

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

Save as disclosed above, no important events affecting the Company occurred since the Listing Date and up to the date of this Annual Report.

Independent Auditor's Report

Deloitte. 德勤

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

OPINION

We have audited the consolidated financial statements of Viva Biotech Holdings (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 81 to 184, which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Fair value measurement for unlisted investments	
The Group made unlisted investments in a wide variety of companies. Those investments are accounted for as financial assets at fair value through profit or loss ("**FVTPL**") for the year ended December 31, 2019 in accordance with IFRS 9 "Financial Instruments". At December 31, 2019, as disclosed in Note 18, the fair value of these investments is RMB647,271,000. The determination of the fair value of these unlisted investments involves significant estimates made by management as disclosed in Note 4. Therefore, we identify the fair value measurement for these investments as a key audit matter.	Our procedures in relation to the fair value measurement for unlisted investments included: • Understanding the key controls over the fair value measurements and evaluating the design and implementation of these controls; • Evaluating the objectivity, independence and competence of the external appraisers assisting the management in assessing the fair value and assessing the methodology adopted in the determination of fair value of certain investments; • Enquiring the management for an understanding and assessing the methodology adopted by the management in the determination of fair value of those remaining investments that no external appraisers are involved; • Evaluating the reasonableness in the key inputs in the valuation models by checking to the supporting document; • Involving our internal valuation specialists in certain investments in level 3 in challenging the valuation model and inputs used by the fair value determination; and • Evaluating the disclosures of the fair value measurement in Note 34 to the consolidated financial statements with the requirement of IFRSs.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor’s report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group’s financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the company.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Chan Men.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
March 30, 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended December 31, 2019

	Notes	2019 RMB'000	2018 RMB'000
Revenue	5	**323,057**	210,033
Cost of services		**(167,184)**	(104,576)
Gross profit		**155,873**	105,457
Other income	6	**20,870**	4,671
Other gains and losses	7	**44,420**	31,047
Research and development expenses		**(44,954)**	(25,251)
Selling and marketing expenses		**(3,571)**	(3,925)
Administrative expenses		**(51,215)**	(25,576)
Listing expenses		**(17,909)**	(24,274)
Fair value gain on financial assets at fair value through profit or loss ("**FVTPL**")	18	**217,630**	68,286
Impairment losses under expected credit model, net of reversal		**(1,812)**	(113)
Share of loss of associates	16	**(34)**	(1,748)
Share of loss of joint ventures	17	**(1,874)**	(1,498)
Finance costs	8	**(2,261)**	(557)
Profit before fair value loss on financial liabilities at FVTPL and tax		**315,163**	126,519
Fair value loss on financial liabilities at FVTPL	30	**(34,238)**	(20,658)
Profit before tax	9	**280,925**	105,861
Income tax expense	10	**(15,053)**	(15,311)
Profit for the year		**265,872**	90,550
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**231**	–
Other comprehensive income for the year		**231**	–
Total comprehensive income for the year		**266,103**	90,550
		RMB	*RMB*
Earnings per share	12		
– Basic		**0.19**	0.08
– Diluted		**0.18**	0.08

Consolidated Statement of Financial Position

At December 31, 2019

	Notes	2019 RMB'000	2018 RMB'000
Non-Current Assets			
Property, plant and equipment	14	106,348	66,899
Right-of-use assets	15	50,638	–
Interests in associates	16	–	2,675
Interests in joint ventures	17	4,228	2,602
Financial assets at FVTPL	18	622,854	204,740
Contract assets		5,405	3,368
Rental deposits and prepayments		11,097	6,872
Deferred tax assets	19	3,789	1,013
		804,359	288,169
Current Assets			
Inventories	20	8,530	4,900
Contract costs	21	5,612	4,261
Trade and other receivables	22	140,656	68,410
Financial assets at FVTPL	18	29,629	–
Restricted bank balances	24	5,908	8,045
Bank balances and cash	24	904,091	155,554
		1,094,426	241,170
Current Liabilities			
Trade and other payables	25	35,946	25,578
Contract liabilities	26	635	1,483
Income tax payables		11,399	14,904
Bank borrowings	27	525	497
Lease liabilities	29	24,458	–
		72,963	42,462
Net Current Assets		1,021,463	198,708
Total Assets Less Current Liabilities		1,825,822	486,877

	Notes	2019 RMB'000	2018 RMB'000
Non-Current Liabilities			
Bank borrowings	*27*	**1,340**	1,865
Deferred income	*28*	**15,844**	9,849
Lease liabilities	*29*	**23,084**	–
Financial liabilities at FVTPL	*30*	**–**	220,600
Deferred tax liabilities	*19*	**8,160**	3,121
		48,428	235,435
Net Assets		**1,777,394**	251,442
Capital and Reserves			
Share capital	*31*	**261**	164
Reserves		**1,777,133**	251,278
Total Equity		**1,777,394**	251,442

The consolidated financial statements on page 81 to 184 were approved and authorized for issue by the directors of the Company on March 30, 2020 and are signed on its behalf by:

Mao Chen Cheney
Director

Hua Fengmao
Director

Consolidated Statement of Changes in Equity

For the year ended December 31, 2019

	Share capital *RMB'000*	Share premium *RMB'000*	Statutory reserve *RMB'000 (Note)*	Share option reserve *RMB'000*	Other reserve *RMB'000*	Foreign currency transaction reserve *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*
At January 1, 2018	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	120	13,590	9,744	11,883	33,705	–	83,248	152,290
Profit and total comprehensive income for the year	–	–	–	–	–	–	90,550	90,550
Recognition of equity-settled share based payment *(Note 32)*	–	–	–	8,602	–	–	–	8,602
Transferred to statutory reserve	–	–	6,463	–	–	–	(6,463)	–
Issue of ordinary shares	44	33,661	–	–	(33,705)	–	–	–
At December 31, 2018	164	47,251	16,207	20,485	–	–	167,335	251,442
Profit for the year	–	–	–	–	–	–	265,872	265,872
Other comprehensive income for the year	–	–	–	–	–	231	–	231
Total comprehensive income for the year	–	–	–	–	–	231	265,872	266,103
Recognition of equity-settled share-based payment *(Note 32)*	–	–	–	8,330	–	–	–	8,330
Issue of shares pursuant to Capitalization Issue *(Note 31 (iii))*	17	(17)	–	–	–	–	–	–
Transfer to statutory reserve	–	–	9,056	–	–	–	(9,056)	–
Dividends recognized as distribution *(Note 13)*	–	(127,896)	–	–	–	–	–	(127,896)
Automatic conversion of Series B Preferred Shares upon Global Offering *(Note 30)*	11	246,888	–	–	–	–	–	246,899
Shares issued upon Global Offering and over-allotment *(Note 31 (iv) and (v))*	60	1,339,920	–	–	–	–	–	1,339,980
Transaction costs attributable to issue of new shares	–	(80,687)	–	–	–	–	–	(80,687)
Exercise of share options *(Note 32)*	15	5,648	–	–	–	–	–	5,663
Repurchase of ordinary shares *(Note 31 (vi))*	(6)	(132,434)	–	–	–	–	–	(132,440)
At December 31, 2019	261	1,298,673	25,263	28,815	–	231	424,151	1,777,394

Note: In accordance with the Articles of Association of all subsidiaries established in the People's Republic of China (the "**PRC**"), they are required to transfer 10% of the profit after taxation to the statutory reserve until the reserve reaches 50% of the registered capital. Transfer to this reserve must be made before distributing dividends to equity holders. The statutory reserve can be used to make up for previous years' losses, expand the existing operations or convert into additional paid-in capital of the subsidiaries.

Consolidated Statement of Cash Flows

For the year ended December 31, 2019

	Note	2019 RMB'000	2018 RMB'000
OPERATING ACTIVITIES			
Profit before tax		**280,925**	105,861
Adjustments for：			
Interest on bank borrowings		**288**	143
Interest on loans from related parties		**–**	414
Interest on lease liabilities		**1,973**	–
Interest income from banks		**(14,904)**	(861)
Interest income from rental deposit		**(182)**	–
Foreign exchange gain		**(7,716)**	(4,605)
Depreciation of property, plant and equipment		**16,463**	9,548
Depreciation of right-of-use assets		**17,581**	–
Impairment losses under expected credit model, net of reversal		**1,812**	113
Loss (gain) on disposal of property, plant and equipment		**31**	(5)
Gain on lease modification		**(3)**	–
Income from government grants and subsidies related to assets		**(1,705)**	(915)
Share-based payment expenses		**8,330**	8,602
Fair value gain on financial assets at FVTPL		**(217,630)**	(68,286)
Gain on deemed disposal of interests in a joint venture		**–**	(11,355)
Gain on deemed disposal of interests in associates		**(11,684)**	–
Gain on disposal of interests in a joint venture		**–**	(960)
Gain on disposal of interests in an associate		**–**	(4,047)
Fair value loss on financial liabilities at FVTPL		**34,238**	20,658
Share of loss of joint ventures		**1,874**	1,498
Share of loss of associates		**34**	1,748
Revenue from service-for-equity	*42(b)(1)*	**(43,662)**	(20,400)
Operating cash flows before movements in working capital		**66,063**	37,151
Increase in inventories		**(3,630)**	(1,577)
Increase in contract costs		**(1,318)**	(396)
Increase in trade and other receivables		**(10,949)**	(29,105)
Increase in trade and other payables		**13,093**	10,796
Increase in rental deposits		**(104)**	(650)
(Decrease) increase in contract liabilities		**(848)**	391
Cash generated from operations		**62,307**	16,610
Income taxes paid		**(16,295)**	(4,500)
NET CASH FROM OPERATING ACTIVITIES		**46,012**	12,110

Consolidated Statement of Cash Flows

For the year ended December 31, 2019

	2019 *RMB'000*	2018 *RMB'000*
INVESTING ACTIVITIES		
Interest received	**14,904**	964
Proceeds from disposal of property, plant and equipment	**49**	65
Purchases of property, plant and equipment	**(56,188)**	(46,903)
Payment for acquisition of a land use right	**(5,639)**	–
Rental deposits paid	**(257)**	–
Proceeds from disposal of investments in financial assets at amortized cost	**–**	3,500
Government grants and subsidies received related to assets	**7,700**	477
Placement of restricted bank deposits	**(2,515)**	–
Withdraw in restricted bank deposits	**4,652**	–
Proceeds from disposal of interest in a joint venture	**–**	960
Proceeds from disposal of interest in an associate	**–**	7,000
Repayment from a related party	**–**	2,002
Capital injection of investment in joint ventures	**(3,500)**	(4,100)
Capital injection of investment in associates	**(3)**	(2,100)
Payments for potential acquisitions	**(70,000)**	–
Purchase of financial assets at FVTPL	**(1,798,414)**	(94,899)
Proceeds from disposal of financial assets at FVTPL	**1,619,156**	63,085
NET CASH USED IN INVESTING ACTIVITIES	**(290,055)**	(69,949)
FINANCING ACTIVITIES		
Repayment of bank borrowings	**(10,496)**	(471)
Repayment to related parties	**–**	(14,922)
Interest paid	**(288)**	(557)
Issue costs paid	**(76,174)**	(4,513)
Proceeds from bank borrowings	**9,999**	–
Proceeds from third party	**10,631**	–
Repayment of third party	**(10,631)**	–
Repayment of lease liabilities	**(15,545)**	–
Proceeds from issue of ordinary shares	**1,311,794**	–
Proceeds from exercise of over-allotment option	**28,186**	–
Proceeds from exercise share option	**5,663**	–
Payment for repurchase of shares	**(132,440)**	–
Cash dividend paid	**(135,835)**	–
Proceeds from the issue of the Company's convertible redeemable preferred shares	**–**	199,942
NET CASH FROM FINANCING ACTIVITIES	**984,864**	179,479

	2019 *RMB'000*	2018 *RMB'000*
NET INCREASE IN BANK AND BANK BALANCES	740,821	121,640
BANK AND BANK BALANCES AT BEGINNING OF YEAR	155,554	29,766
Effect of foreign exchange rate changes	7,716	4,148
BANK AND BANK BALANCES AT END OF YEAR	904,091	155,554

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

1. GENERAL

Viva Biotech Holdings (the "**Company**") was incorporated in the Cayman Islands as an exempted company with limited liability on August 27, 2008 and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on May 9, 2019 (the "**Listing Date**"). The addresses of the registered office and the principal place of business of the Company are disclosed in the "Corporate Information" section to the annual report. At the date of this report, the ultimate controlling party of the Company is Mr. Mao Chen Cheney.

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

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

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

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

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

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

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

IFRS 16 Leases

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

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

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

IFRS 16 Leases (continued)

Definition of a lease

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

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

As a lessee

The Group has applied IFRS 16 retrospectively with the cumulative effect recognized at the date of initial application, January 1, 2019. As at January 1, 2019, the Group recognized additional lease liabilities and right-of-use asset at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying IFRS 16. C8(b)(ii) transaction. 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;

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

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

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

IFRS 16 Leases (continued)

As a lessee (continued)

iv. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of properties in the People's Republic of China (the "**PRC**") was determined on a portfolio basis.

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*
Operating lease commitments disclosed at December 31, 2018	19,412
Lease liabilities discounted at relevant incremental borrowing rates	16,664
Less: practical expedient – leases with lease term ending within 12 months from the date of initial application	1,487
Lease liabilities at January 1, 2019	15,177
Analyzed as	
Current	4,643
Non-current	10,534
	15,177

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

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

IFRS 16 Leases (continued)

As a lessee (continued)

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

	Notes	Right-of-use assets RMB'000
Right-of-use assets relating to operating leases recognized upon application of IFRS 16		15,177
Reclassified from operating lease prepayments	*(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.

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

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

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

IFRS 16 Leases (continued)

As a lessee (continued)

Impact on the consolidated statement of financial position

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

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

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended December 31, 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at January 1, 2019 as disclosed above.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

New and amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 17	Insurance Contracts[1]
Amendments to IFRS 3	Definition of a Business[2]
Amendments to IFRS10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[5]
Amendments to IAS 1 and IAS 8	Definition of Material[4]
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform[4]

1 Effective for annual periods beginning on or after January 1, 2021
2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after January 1, 2020
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after January 1, 2020
5 Effective for annual periods beginning on or after January 1, 2022

In addition to the above new and amendments to IFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, *the Amendments to References to the Conceptual Framework in IFRS Standards*, will be effective for annual periods beginning on or after January 1, 2020.

The directors of the Company anticipate that the application of the new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements has been prepared on the historical cost basis except for certain financial instruments which are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Consolidated Financial Statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 "*Share-based Payment*", leasing transactions that are accounted for in accordance with IFRS 16 (since January 1, 2019) or IAS 17 (before application of IFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 "*Inventories*" or value in use in IAS 36 "*Impairment of Assets*".

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Investment in a subsidiary

Investment in a subsidiary is stated in the statement of financial position of the Company at cost less any identified impairment loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in the consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognized in the consolidated statements of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and joint ventures (continued)

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognized in profit or loss. When the Group retains an interest in the former associate or a joint venture and the retained interest is a financial asset within the scope of IFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate or joint venture.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognized in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contracts with customers

The Group recognizes revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to customers.

A Performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognized over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the entity's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognized at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

The Group primarily earns revenue by providing discovery services to its customers under three charge methods: 1) Full-time-equivalent, or FTE method; 2) Fee-for-service, or FFS method; or 3) Service-for-equity, or SFE method.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contracts with customers (continued)

Under the FTE method, the Group provides its customer with a project team of employees dedicated to the customer's studies for a specific period of time and charges the customer at a fixed rate per employee. The customer therefore simultaneously receives and consumes benefits provided by the Group's performances. In addition, FTE contracts require customer's confirmation on the FTE billable amounts, which are calculated based on number of the Group's employees assigned to the project and the time that the Group's employees had worked under the project, and also specify that the Group has an enforceable right to payment for the FTE billable amounts. Therefore, under the FTE method, the Group has a right to consideration from its customer in an amount that corresponds directly with the value to the customers of the Group's performance completed to date (i.e. FTE billable amounts). Under such arrangement, IFRS 15 provides a practical expedient whereby the Group may recognize revenue based on the amount it has a right to invoice to the customer. The Group elected to use the practical expedient and therefore recognized the FTE services revenue when it has right to invoice the customer, usually in the form of a monthly statement, and the customers confirmed the acceptance of the invoice or after the end of a confirmation period.

For the research services provided under FFS method, the contracts usually have multiple deliverable units, which are generally in the form of technical laboratory reports and/or samples, each with individual selling price specified within the contract. The total contract price is the aggregation of the individual selling prices of the deliverable units. The Group identifies each deliverable unit as a separate performance obligation, and recognizes FFS revenue of contractual elements at the point in time upon finalization, delivery and acceptance of the deliverable units or after the end of a confirmation period. Generally, the Group's research contracts include payment schedules which require payments once milestones are reached. For partial research contracts, upfront fees are required at the beginning of the contracts.

For the research services provided under SFE method, the Group provides its customer with a project team of employees dedicated to the customer's studies for a specific period of time at a pre-agreed fixed rate per employee in a way that is similar to the FTE method, with the difference that the Group is entitled to receive the equity interests of the customer instead of a cash consideration for the service provided. The Group and the customer would agree on a total FTE service value that the Group would provide to the customer using the pre-agreed FTE rate, and upon reaching pre-set milestones of FTE service value, the customers would transfer certain number of their equity interests to the Group. The Group measures the progress of performance on the basis of FTE service value transferred to the customers to date relative to the remaining total FTE service value. The progress of performance corresponds directly to the number of customer's equity interest that the Group is entitled to receive. The Group then recognizes revenue by measuring the fair value of these customer's equity interest and at the same time recognizes a corresponding contract assets. Upon Group's cumulative FTE service value to the customers reach a pre-set milestone, the Group would receive the entitled equity interests, the corresponding contract assets are then subsequently transferred to financial assets at FVTPL, with any subsequent gains or losses arising on re-measurement being recognized in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contracts with customers (continued)

Some of the service contracts contain variable consideration in the form of bonus payment (usually in the form of a milestone bonus when the service provided to the customer has reached into a certain stage or delivered a certain result). The Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration, to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

The Group incurs costs to fulfill a contract in its business. The Group first assesses whether these contract costs qualify for recognition as an asset in terms of other relevant IFRSs, failing which it recognizes an asset for these costs only if they meet all of the following criteria:

(a) the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;

(b) the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and

(c) the costs are expected to be recovered.

The asset so recognized is subsequently amortized to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate. The asset is also subject to impairment review.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

Definition of a lease (upon application of IFRS 16 in accordance with transitions in Note 2)

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 under the terms and conditions of the contract are subsequently changed.

The Group as a lease (upon application of IFRS 16 in accordance with transitions in Note 2)

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 of buildings 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as a lease (upon application of IFRS 16 in accordance with transitions in Note 2) (continued)

Right-of-use assets

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 measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group are reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, 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 consolidated statement of financial position.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as a lease (upon application of IFRS 16 in accordance with transitions in Note 2) (continued)

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, initially measured using the index or rate as at the commencement date;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

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

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever the lease terms 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 Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as a lease (upon application of IFRS 16 in accordance with transitions in Note 2) (continued)

Lease modifications

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

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

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

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified 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.

The Group as a lessee (prior to January 1, 2019)

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognized as an expense on a straight-line basis over the term of the relevant lease.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognized at the rates of exchanges prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognized in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All borrowing costs are recognized in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specially, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred income in the consolidated statements of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Government grants (continued)

Government grants 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 in which they become receivable.

Retirement benefit costs

The Group participates in state-managed retirement benefit schemes, which are defined contribution schemes, pursuant to which the Group pays a fixed percentage of its qualifying staff's wages as contributions to the plans. Payments to such retirement benefit schemes are charged as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognized at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognized as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognized for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Equity-settled share-based payment transactions (continued)

Share options granted to employees (continued)

The fair value of the equity-settled shared-based payments are determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share option reserve). At the end of each reporting period, the Group revises its estimates of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimates, with a corresponding adjustment to the share option reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When the share options are exercised, the amount previously recognized in share option reserve will continue to be held in share option reserve. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognized in share option reserve will continue to be held in share option reserve.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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 on initial recognition of the relevant right-of-use assets and lease liabilities are not recognized due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognized on the date of remeasurement or modification.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognized in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Property, plant and equipment other than construction in progress, are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost less any recognized impairment loss. Costs include any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by management and for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Depreciation of these assets on the same basis as other property assets commences when the assets are ready for their intended use.

Ownership interests in leasehold land and building

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "right-of-use assets" (upon application of IFRS 16) or "prepaid lease payments" (before application of IFRS 16) in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Depreciation is recognized so as to write off the cost of assets other than properties under construction less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

Impairment on property, plant and equipment, right-of-use assets and contract costs

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and contract costs to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment on property, plant and equipment, right-of-use assets and contract costs (continued)

The recoverable amount of property, plant and equipment, right-of-use assets and contract costs are estimated individually. When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Before the Group recognizes an impairment loss for assets capitalized as contract costs under IFRS 15, the Group assesses and recognizes any impairment loss on other assets related to the relevant contracts in accordance with applicable standards. Then, impairment loss, if any, for assets capitalized as contract costs is recognized to the extent the carrying amounts exceeds the remaining amount of consideration that the Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services that have not been recognized as expenses. The assets capitalized as contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs of inventories are determined on a first-in, first-out method. Net realizable value represents the contracted selling price less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("**FVTOCI**"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortized cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Amortized cost and interest income

Interest income is recognized using the effective interest method for financial assets measured subsequently at amortized cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss. The net gain or loss recognized in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "Fair value gain on financial assets at fair value through profit or loss" line item.

Impairment of financial assets and other items subject to impairment assessment under IFRS 9

The Group performs impairment assessment under expected credit loss ("**ECL**") model on financial assets (including trade receivables, other receivables, rental deposits, restricted bank balances, bank balances and cash) and other items (contract assets) which are subject to impairment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (continued)

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognizes lifetime ECL for trade receivables and contract assets. The ECL on trade receivable are assessed individually for debtors credit-impaired and/or collectively using a provision matrix with appropriate groupings. The provision matrix is based on the Group's historical default rates, adjusted for factors that are specific to the debtors, general economic conditions and assess of both current as well as the forecast direction of the condition at reporting date, including time value of money where appropriate.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognizes lifetime ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (continued)

i. Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (continued)

i. Significant increase in credit risk (continued)

Despite the afore-going, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

ii. Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (continued)

iii. Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

a) significant financial difficulty of the issuer or the borrower;

b) a breach of contract, such as a default or past due event;

c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

iv. Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over five years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognized in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (continued)

v. Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis to cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables are assessed as a separate group);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortized cost of the financial asset.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognized through a loss allowance account.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (continued)

vi. Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortized cost using the effective interest method or at FVTPL.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is designated as at FVTPL.

A financial liability may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

Because the Group's convertible redeemable preferred shares contained multiple embedded derivatives, the convertible redeemable preferred shares are designated as at FVTPL. Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss includes any interest paid on the financial liabilities and is included in the "Fair value loss on financial liabilities at FVTPL" line item.

For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognized in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognized in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability. Fair value is determined in the manner described in Note 30.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Financial liabilities at amortized cost

Other financial liabilities including bank borrowings, amounts due to subsidiaries and trade and other payables are subsequently measured at amortized cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, canceled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumption are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if revision affects both current and future periods.

Critical Judgments in applying accounting policies

The following is the critical judgments, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Critical Judgments in applying accounting policies (continued)

Judgments in determining the timing of satisfaction of performance obligations

Note 3 describes the revenue recognition basis to each of the Group's revenue stream. The recognition of each of the Group's revenue stream requires judgement by the directors of the Company in determining the timing of satisfaction of performance obligations.

In making their judgement, the directors of the Company have considered the detailed criteria for recognition of revenue set out in IFRS 15 and in particular, whether the Group has satisfied all the performance obligations over time or at a point in time with reference to the detailed terms of transaction as stipulated in the contracts entered into with its customers.

For the services under FTE method, the directors of the Company have assessed that the customers simultaneously receive and consume benefit provided by the Group's performances and the Group has an enforceable right to payment for performances completed to date. Therefore, the directors of the Company have satisfied that the performance obligation on FTE services is satisfied over time and recognized FTE revenue over the service period.

For the services under FFS method, the directors of the Company have assessed that the Group has a present right to payment from the customers for the services performed at a point in time upon finalization, delivery and acceptance of the deliverable units. Therefore, the directors of the Company have satisfied that the performance obligation of FFS is satisfied at a point in time and recognized FFS revenue at a point in time.

For the services under SFE method, the directors of the Company have assessed that the customers simultaneously receive and consume benefits provided by the Group's performances. Therefore, the directors of the Company have satisfied that the performance obligation on SFE services is satisfied over time and recognized SFE revenue over the service period.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Critical Judgments in applying accounting policies (continued)

Judgements in determining the significant influence or joint control in investments

Where the Group holds less than 20% of ownership interests in investees but the Group has the power to exercise significant influence, such investments are treated as investments in associates.

Where the Group holds less than 50% of ownership interests in investees but the Group has the power to exercise joint control, such investments are treated as investments in joint ventures.

Where the Group holds more than 20% of ownership interests in an investee but the Group does not have the power to exercise significant influence, joint control or control, such investment is treated as financial assets at FVTPL.

Details of the basis of such management judgement are set out in Note 16 and Note 17.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed below.

Useful lives and estimated impairment on property, plant and equipment

The Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. The Group will increase the depreciation charge where useful lives are less than previously estimated lives, or will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or to be sold.

The Group regularly reviews whether there are any indications of impairment and recognizes an impairment loss if the carrying amount of an asset is lower than its recoverable amount. The Group tests for impairment for property, plant and equipment whenever there is an indication that the asset may be impaired. The recoverable amounts have been determined based on the higher of the fair value less costs of disposal and value in use. These calculations require the use of estimates, such as discount rates, future profitability and growth rates.

At December 31, 2019, the carrying amount of property, plant and equipment (without impairment loss recognized) was approximately RMB106,348,000 (2018: RMB66,899,000).

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

Provision of ECL for trade receivables

Trade receivables with significant balances and credit-impaired are assessed for ECL individually. In addition, the Group uses provision matrix to calculate ECL for the trade receivables which are individually insignificant. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in Note 22 and Note 23.

At December 31, 2019, the amount of provision of ECL for trade receivables was approximately RMB1,757,000 (2018: RMB893,000).

Fair value of financial assets at FVTPL

The fair value of financial assets at FVTPL that are not traded in an active market is determined using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. Further details are included in Note 34.

At December 31, 2019, the fair value of financial assets at FVTPL was approximately RMB652,483,000 (2018: RMB204,740,000).

Should any of the estimates and assumptions changed, it may lead to a material change in the respective fair value of these financial assets.

5. REVENUE AND SEGMENT INFORMATION

Disaggregation of revenue

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

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

5. 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

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

At a point in time

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

Unsatisfied performance obligations

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

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

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

5. REVENUE AND SEGMENT INFORMATION (continued)

Unsatisfied performance obligations (continued)

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

Segment information

For the purpose of resources allocation and performance assessment, the chief operating decision maker (i.e. the chief executive officer of the Group) reviews the overall results and financial position of the Group as a whole prepared based on the same accounting policies as set out in Note 3. Accordingly, the Group has only one reportable segment and no further analysis of this single segment is present.

Geographical Information

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

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

Information about major customers

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

6. OTHER INCOME

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

Notes:

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

(ii) The Group has received certain government grants related to assets to invest in laboratory equipment and plant. The grants related to assets were recognized in profit or loss over the remaining useful lives of the relevant assets upon the Group complied with the conditions attached to the grants and the government acknowledged acceptance. Details of these grants related to assets are set out in Note 28.

7. OTHER GAINS AND LOSSES

	2019 *RMB'000*	2018 *RMB'000*
Net foreign exchange gain	**32,736**	14,632
(Loss) gain on disposal of property, plant and equipment	**(31)**	5
Gain on deemed disposal of interests in associates *(Note 16 (iii) and (iv))*	**11,684**	–
Gain on deemed disposal of interests in a joint venture	**–**	11,355
Gain on disposal of interests in an associate	**–**	4,047
Gain on disposal of interests in a joint venture	**–**	960
Others	**31**	48
	44,420	31,047

8. FINANCE COSTS

	2019 *RMB'000*	2018 *RMB'000*
Interest expenses on		
– bank borrowings	288	143
– loans from related parties *(Note 39 (2)(ii))*	–	414
Interest on lease liabilities	1,973	–
	2,261	557

9. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

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

10. INCOME TAX EXPENSE

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

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

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

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

Viva Biotech (Shanghai) Ltd. ("**Viva Biotech Shanghai**") has renewed its "High and New Technology Enterprise" accreditation in November 2016. The qualification as a High and New Technology Enterprise is subject to review by the relevant tax authority in the PRC for every three years. As of the date of the issuance of these consolidated financial statements, the renewal of the accreditation is in process and management of the Group expects the renewal will be completed before May 31, 2020. As such, the estimated EIT rate of Viva Biotech Shanghai for the reporting period is 15%.

10. INCOME TAX EXPENSE (continued)

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

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

	2019	2018
	RMB'000	*RMB'000*
Profit before tax	**280,925**	105,861
Tax at the applicable tax rate of 25%	**70,231**	26,465
Tax effect of expenses not deductible for tax purpose	**18,820**	17,747
Tax effect of income not taxable for tax purpose	**(61,867)**	(17,084)
Effect of intergroup transaction	**–**	1,537
Effect of research and development expenses that are additionally deducted	**(3,061)**	(1,866)
Under provision in prior years	**305**	–
Income tax at concessionary rate	**(10,234)**	(7,436)
Effect of different tax rates of subsidiaries operating in other jurisdiction	**859**	(4,052)
Income tax expense	**15,053**	15,311

11. DIRECTORS', CHIEF EXECUTIVE'S AND FIVE HIGHEST INDIVIDUALS' EMOLUMENTS

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and Hong Kong Companies Ordinance, is as follows:

	Director's fee *RMB'000*	Salaries and other benefits *RMB'000*	Performance based bonus *(Note viii)* *RMB'000*	Retirement benefits scheme contributions *RMB'000*	Share-based compensation *RMB'000*	Total *RMB'000*
For the year ended December 31, 2019						
Chief Executive Officer and executive director:						
Mr. Mao Chen Cheney *(Note i)*	**95**	**954**	**–**	**–**	**317**	**1,366**
Executive directors:						
Mr. Wu Ying *(Note ii)*	**95**	**591**	**66**	**49**	**630**	**1,431**
Mr. Ren Delin *(Note iii)*	**95**	**1,432**	**19**	**–**	**762**	**2,308**
Mr. Hua Fengmao *(Note iv)*	**95**	**931**	**–**	**–**	**1,389**	**2,415**
Non-executive directors:						
Mr. John Wu Jiong *(Note v)*	**95**	**–**	**–**	**–**	**–**	**95**
Ms. Mao Jun *(Note vi)*	**95**	**–**	**–**	**–**	**–**	**95**
Independent directors:						
Mr. Fu Lei *(Note vii)*	**95**	**–**	**–**	**–**	**–**	**95**
Ms. Wang Haiguang *(Note vii)*	**95**	**–**	**–**	**–**	**–**	**95**
Ms. Li Xiangrong *(Note vii)*	**95**	**–**	**–**	**–**	**–**	**95**
	855	**3,908**	**85**	**49**	**3,098**	**7,995**
For the year ended December 31, 2018						
Chief Executive Officer and executive director:						
Mr. Mao Chen Cheney	–	752	–	–	316	1,068
Executive directors:						
Mr. Wu Ying	–	412	26	46	627	1,111
Mr. Ren Delin	–	1,209	–	–	757	1,966
Mr. Hua Fengmao	–	–	–	–	1,498	1,498
Non-executive directors:						
Mr. John Wu Jiong	–	–	–	–	–	–
Ms. Mao Jun	–	–	–	–	–	–
	–	2,373	26	46	3,198	5,643

11. DIRECTORS', CHIEF EXECUTIVE'S AND FIVE HIGHEST INDIVIDUALS' EMOLUMENTS (continued)

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

The non-executive directors' and independent non-executive directors' emoluments shown above were for their services as directors of the Company.

Notes:

(i) Mr. Mao Chen Cheney was appointed as a director of the Company on July 3, 2018. Mr. Mao Chen Cheney is also the Chief Executive Officer of the Company since 2009 and his emoluments disclosed above included those for services rendered by him as the Chief Executive Officer.

(ii) Mr. Wu Ying was appointed as a director of the Company on September 7, 2009.

(iii) Mr. Ren Delin was appointed as a director of the Company on July 3, 2018.

(iv) Mr. Hua Fengmao was appointed as a director and the Chief Financial Officer of the Company on July 3, 2018.

(v) Mr. John Wu Jiong was appointed as a director of the Company on July 3, 2018 and resigned on March 30, 2020.

(vi) Ms. Mao Jun was appointed as a director of the Company on July 3, 2018.

(vii) Mr. Fu Lei, Ms. Wang Haiguang and Ms. Li Xiangrong were appointed as independent directors of the Company on April 14, 2019.

(viii) The performance-based bonus is discretionary based on the Group's financial results.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

Chief executive officer and executive directors of the Company were granted share options in respect of their services to the Group under the Pre-IPO Share Incentive Schemes of the Company. Details of the Pre-IPO Share Incentive Schemes are set out in Note 32.

11. DIRECTORS', CHIEF EXECUTIVE'S AND FIVE HIGHEST INDIVIDUALS' EMOLUMENTS (continued)

Five highest paid individuals

The five highest paid employees of the Group during the year included two directors (2018: two directors). Details of the remuneration for the year of the remaining three (2018: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2019 *RMB'000*	2018 *RMB'000*
– salaries and other benefits	5,360	3,030
– performance-based bonus	496	–
– share-based compensation	634	1,009
	6,490	4,039

The emoluments of the five highest paid employees (including the directors) were within the following bands:

	2019 No. of employees	2018 No. of employees
HK$1,000,001 to HK$1,500,000	–	2
HK$1,500,001 to HK$2,000,000	–	2
HK$2,000,001 to HK$2,500,000	2	1
HK$2,500,001 to HK$3,000,000	3	–
	5	5

12. EARNINGS PER SHARE

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

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

The computation of basic earnings per share for year ended December 31, 2019 is based on weighted average number of shares assumed to be in issue after taking into account the retrospective adjustment of the Share Split and the Capitalization Issue. The computation of basic earnings per share for the year ended December 31, 2018 is based on weighted average number of shares assumed to be in issue after taking into account the retrospective adjustment of the Share Split and the Capitalization Issue and the 71,917,810 subscription shares subscribed in 2018 as disclosed in Note 31.

The computation of diluted earnings per share for the years ended December 31, 2019 and 2018 is based on weighted average number of shares assumed to be in issue after taking into account of the Pre-IPO Share Incentive Schemes of the Company and the retrospective adjustment of the Share Split and the Capitalization Issue and the 71,917,810 subscription shares subscribed in 2018 as disclosed in Note 31. The diluted earnings per share did not assume conversion of the Series B Preferred Shares as their inclusion would be anti-dilutive for the years ended December 31, 2019 and 2018, nor the exercise of certain options granted under the Pre-IPO Share Incentive Schemes as the exercise price of those options was higher than the average fair value for shares of the Company during the year ended December 31, 2018.

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

13. DIVIDENDS

On April 13, 2019, a special dividend of RMB120,747,000 was declared and subsequently paid to ordinary shareholders listed on the register of members on March 24, 2019, being the date one month prior to the commencement of the international offering and the Hong Kong public offering of the Company (together the "**Global Offering**").

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

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

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

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and building RMB'000	Furniture, fixtures and equipment RMB'000	Transportation equipment RMB'000	Leasehold improvements RMB'000	Construction in progress ("CIP") RMB'000	Total RMB'000
COST						
At January 1, 2018	6,804	40,975	1,608	8,569	564	58,520
Additions	11,114	23,369	–	1,508	6,522	42,513
Transfer	–	1,311	–	3,429	(4,740)	–
Disposals	–	(1,222)	–	–	–	(1,222)
At December 31, 2018	17,918	64,433	1,608	13,506	2,346	99,811
Additions	–	38,800	804	16	16,405	56,025
Transfer	–	1,321	–	5,451	(6,772)	–
Disposals	–	(776)	(465)	–	–	(1,241)
At December 31, 2019	**17,918**	**103,778**	**1,947**	**18,973**	**11,979**	**154,595**
DEPRECIATION						
At January 1, 2018	(861)	(20,332)	(977)	(1,950)	–	(24,120)
Provided for the year	(455)	(6,854)	(140)	(2,505)	–	(9,954)
Eliminated on disposals	–	1,162	–	–	–	1,162
At December 31, 2018	(1,316)	(26,024)	(1,117)	(4,455)	–	(32,912)
Provided for the year	(851)	(11,851)	(328)	(3,466)	–	(16,496)
Eliminated on disposals	–	719	442	–	–	1,161
At December 31, 2019	**(2,167)**	**(37,156)**	**(1,003)**	**(7,921)**	**–**	**(48,247)**
CARRYING VALUES						
At December 31, 2018	16,602	38,409	491	9,051	2,346	66,899
At December 31, 2019	**15,751**	**66,622**	**944**	**11,052**	**11,979**	**106,348**

14. PROPERTY, PLANT AND EQUIPMENT (continued)

The above items of property, plant and equipment except for CIP are depreciated on a straightline basis after taking into account of the residual value as follows:

Leasehold land and building	4.75% per annum
Furniture, fixtures and equipment	8%-32% per annum
Transportation equipment	19% per annum
Leasehold improvements	the shorter of the lease term or 6 years

At December 31, 2019, the building with a carrying amount of approximately RMB5,296,000 (2018: RMB5,620,000) was pledged to secure borrowings of the Group (see Note 27).

15. RIGHT-OF-USE ASSETS

	Leasehold lands *RMB'000*	**Buildings** *RMB'000*	**Total** *RMB'000*
At January 1, 2019			
Carrying amount	–	16,388	16,388
At December 31, 2019			
Carrying amount	5,545	45,093	50,638
For the year ended December 31, 2019			
Depreciation charge	(94)	(17,487)	(17,581)
Expense relating to short-term leases with leases terms end within 12 months of the date of initial application of IFRS 16			2,699
Total cash outflow for leases *(Note i)*			23,883
Additions to right-of-use assets *(Note ii)*			52,028

Notes:

(i) Amount includes payments of principal and interest portion of lease liabilities, short-term leases, and payments of lease payments on or before lease commencement date (including leasehold lands). These amounts could be presented in operating, investing or financing cash flows.

(ii) Amount includes right-of-use assets resulting from lease modification and payments for leasehold lands and buildings.

15. RIGHT-OF-USE ASSETS (continued)

For both years, the Group leases various offices and leasehold lands for its operations. Lease contracts are entered into for fixed term of 2 to 20 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group regularly entered into short-term leases for staff apartment. At December 31, 2019, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expenses disclosed above.

Restrictions or covenants on leases

In addition, lease liabilities of RMB47,542,000 are recognized with related right-of-use assets of RMB50,638,000 at December 31, 2019. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

16. INTERESTS IN ASSOCIATES/SHARE OF LOSS OF ASSOCIATES

	2019	2018
	RMB'000	*RMB'000*
Cost of investment in associates, unlisted	**540**	4,640
Share of post-acquisition losses	**(540)**	(1,965)
	–	2,675

No associate was individually material to the Group for the years ended December 31, 2019 and 2018.

16. INTERESTS IN ASSOCIATES/SHARE OF LOSS OF ASSOCIATES (continued)

At December 31, 2019 and 2018, the Group had interests in the following associates established and operated in the PRC and USA:

Name of associates	Fully paid capital/ registered capital	Proportion of ownership interest held by the Group At December 31, 2019	2018	Principal activities	*Notes*
Jiaxing Tekeluo Biotech Co., Ltd. (“**Jiaxing Tekeluo**”) (嘉興特科羅生物科技有限公司)	RMB2,188,000	**8.84%**	9.31%	Pharmaceutical research and development	*(i)*
Shanghai Yinlaiteng Medical Research Ltd. (“**Yinlaiteng**”) (上海英萊騰醫藥研究有限公司)	RMB5,000,000	–	20%	Pharmaceutical research and development	*(ii)*
QureBio Limited (“**QureBio**”) (啓愈生物技術(上海)有限公司).	RMB35,393,000	–	14%	Pharmaceutical research and development	*(iii)*
VersaChem, Inc. (“**VersaChem**”)	USD2,500	–	N/A	Pharmaceutical research and development	*(iv)*

Notes:

(i) The Group was able to exercise significant influence over Jiaxing Tekeluo since the inception of this investment in 2016 because it had the power to appoint one out of three directors under the Articles of Association of that company. In October 2018 and March 2019, the ownership interest held by the Group in Jiaxing Tekeluo was diluted by the investments from new investors, respectively. The Group is still able to exercise significant influence since the Group has the power to appoint one out of five directors.

(ii) Pursuant to the resolution date July 18, 2019, Yinglaiteng was voluntarily dissolved in August 2019.

(iii) The Group is able to exercise significant influence over QureBio since the inception of this investment in 2017 because it has the power to appoint one out of three directors under the Articles of Association of that company and held 28% equity interest. Pursuant to an equity transfer agreement and a supplemental transfer agreement dated August 13, 2018 and September 21, 2018, respectively, Viva Biotech Shanghai has disposed 14% equity interest in QureBio to an independent third party at a consideration of RMB7,000,000. In March 2019, the ownership interest held by the Group in QureBio was diluted to 10.992% by the investments from new investors and the Group relinquished its right to appoint director in the board of directors of QureBio. Therefore, the Group was no longer able to exercise significant influence on QureBio and the investment in QureBio is subsequently classified as investment in unlisted equity instrument at FVTPL. The Group recognized a gain on the deemed disposal of interests in associates of RMB9,892,000 (Note 7).

(iv) The Group was able to exercise significant influence over VersaChem since the inception of this investment in May 2019 because it had the power to appoint one out of three directors under the Articles of Association of that company. In November, 2019, after mutual agreement between the Group and VersaChem for the consideration of future financing, the Group relinquished its right to appoint director in the board of directors after an amendment to the Articles of Association of VersaChem, afterwards the Group was no longer able to exercise significant influence over VersaChem. The Group recognized a gain on the deemed disposal of associates of RMB1,792,000 (Note 7), and the investment in VersaChem was subsequently classified as investment in unlisted equity instrument and accounted for as part of financial assets at FVTPL.

16. INTERESTS IN ASSOCIATES/SHARE OF LOSS OF ASSOCIATES (continued)

The movements in the carrying value of the interests in associates for the reporting period are as follows:

	Jiaxing Tekeluo *RMB'000*	Yinlaiteng *RMB'000*	QureBio *RMB'000*	VersaChem *RMB'000*	Total *RMB'000*
At January 1, 2018	50	–	5,226	–	5,276
Capital injection	–	600	1,500	–	2,100
Partial disposal of an associate	–	–	(2,953)	–	(2,953)
Share of loss for the year	(50)	(600)	(1,098)	–	(1,748)
At December 31, 2018	–	–	2,675	–	2,675
Capital injection	–	–	–	3	3
Deemed disposal of associates	–	–	(2,641)	(3)	(2,644)
Share of loss for the year	–	–	(34)	–	(34)
At December 31, 2019	**–**	**–**	**–**	**–**	**–**

Information of unrecognized share of loss of associates:

	2019 ***RMB'000***	2018 *RMB'000*
The unrecognized share of loss of associates for the year	**(768)**	(1,408)
Cumulative unrecognized share of loss of associates	**(1,196)**	(1,408)

17. INTERESTS IN JOINT VENTURES/SHARE OF LOSS OF JOINT VENTURES

	2019 RMB'000	2018 RMB'000
Cost of investment in joint ventures, unlisted	7,000	3,500
Share of post-acquisition losses	(2,772)	(898)
	4,228	2,602

No joint venture was individually material to the Group for the years ended December 31, 2019 and 2018.

At December 31, 2019 and 2018, the Group had interests in the following joint ventures established and operated in the PRC:

Name of joint ventures	Fully paid capital/ registered capital	Proportion of ownership interest held by the Group At December 31,		Principal activities	Notes
	RMB'000	2019	2018		
Sichuan Haoyisheng Viva Biotech Co., Ltd. ("**Sichuan Haoyisheng**") (四川好醫生維亞生物科技有限公司)	10,000	–	–	Pharmaceutical research and development	*(i)*
Weimou Biotech (Shanghai) Ltd. ("**Weimou Biotech**") (維眸生物科技(上海)有限公司)	16,478	–	–	Pharmaceutical research and development	*(ii)*
Jiaxing Youbo Biotech Co., Ltd. ("**Jiaxing Youbo**") (嘉興優博生物技術有限公司)	7,000	30%	30%	Pharmaceutical research and development	*(iii)*

Notes:

(i) Pursuant to an equity transfer agreement dated October 22, 2018, Viva Incubator Shanghai has disposed its entire equity interest in Sichuan Haoyisheng to an independent third party at a consideration of RMB960,000. The disposal was completed on November 2, 2018.

17. INTERESTS IN JOINT VENTURES/SHARE OF LOSS OF JOINT VENTURES (continued)

Notes: (continued)

(ii) On January 8, 2018, after mutual agreement between the Group and joint venture partners, the Group relinquished its right to appoint director in the board of directors after an amendment to the Articles of Association of Weimou Biotech, afterwards the Group was no longer able to exercise joint control over Weimou Biotech and the equity interest was diluted to 11.75% by the new investment from other investors. The Group recognized a gain on the deemed disposal of a joint venture of RMB11,355,000 in 2018 (Note 7), and the investment in Weimou Biotech was subsequently classified as investment in unlisted equity investment at FVTPL.

(iii) According to the Articles of Association of Jiaxing Youbo, the resolution of relevant activities and variable return of Jiaxing Youbo shall be passed by more than two-thirds of the votes of directors. The Group has the power to appoint one out of three directors therein. As such, the shareholders of Jiaxing Youbo contractually agree to share the control of Jiaxing Youbo. Therefore Jiaxing Youbo is a joint venture of the Group.

The Group injected RMB3,500,000 and RMB3,500,000 to Jiaxing Youbo in 2018 and 2019, respectively. At December 31, 2019, the equity interest in Jiaxing Youbo held by the Group was still 30% as agreed in Articles of Association of Jiaxing Youbo.

The movements in the carrying value of the interest in joint ventures for the reporting period are as follows:

	Sichuan Haoyisheng	Weimou Biotech	Jiaxing Youbo	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2018	–	1,234	–	1,234
Capital injection	600	–	3,500	4,100
Share of loss for the year	(600)	–	(898)	(1,498)
Deemed disposal of a joint venture	–	(1,234)	–	(1,234)
At December 31, 2018	–	–	2,602	2,602
Capital injection	–	–	3,500	3,500
Share of loss for the year	–	–	(1,874)	(1,874)
At December 31, 2019	**–**	**–**	**4,228**	**4,228**

There were no unrecognized share of loss of joint ventures for the reporting period and cumulatively.

18. FINANCIAL ASSETS AT FVTPL

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

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

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

18. FINANCIAL ASSETS AT FVTPL (continued)

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

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

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

19. DEFERRED TAX ASSETS/LIABILITIES

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

	2019 *RMB'000*	2018 *RMB'000*
Deferred tax assets	3,789	1,013
Deferred tax liabilities	(8,160)	(3,121)
	(4,371)	(2,108)

19. DEFERRED TAX ASSETS/LIABILITIES (continued)

The following are the major deferred tax assets (liabilities) recognized and movements thereon during the reporting period:

	Impairment losses under ECL *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	167	1,610	1	940	1,100	(1,869)	(405)	1,544
(Charged) credited to profit or loss	(33)	(70)	981	(180)	(557)	(2,684)	(1,109)	(3,652)
At December 31, 2018	134	1,540	982	760	543	(4,553)	(1,514)	(2,108)
Credited (charged) to profit or loss	130	1,296	3,271	1,651	137	(4,036)	(4,712)	(2,263)
At December 31, 2019	**264**	**2,836**	**4,253**	**2,411**	**680**	**(8,589)**	**(6,226)**	**(4,371)**

At December 31, 2019, the Group has unused tax losses of RMB19,792,000 (2018: RMB3,927,000), available for offset against future profits, which had been fully recognized in deferred tax assets as at the end of the reporting period.

Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from January 1, 2008 onwards. At December 31, 2019, deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to RMB225,499,000 (2018: RMB144,463,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

20. INVENTORIES

	2019 ***RMB'000***	2018 *RMB'000*
Raw material and consumables	**8,530**	4,900

21. CONTRACT COSTS

	2019 ***RMB'000***	2018 *RMB'000*
Costs to fulfill contracts	**5,612**	4,261

22. TRADE AND OTHER RECEIVABLES

	2019 *RMB'000*	2018 *RMB'000*
Trade receivables		
– related parties *(Note 39 (3))*	**1,987**	1,921
– third parties	**57,275**	50,433
Loss allowance for trade receivables	**(1,757)**	(893)
	57,505	51,461
Other receivables		
– payments for potential acquisitions *(Note)*	**70,000**	–
– others	**6,734**	2,112
	76,734	2,112
Deferred issue costs	**–**	6,724
Prepayments	**1,302**	525
Prepaid expenses	**1,343**	2,908
Value added tax recoverable	**3,772**	4,680
	6,417	14,837
Total trade and other receivables	**140,656**	68,410

Note: On November 18, 2019, Viva Biotech Shanghai entered into cooperation intention agreement with vendors, whereby Viva Biotech Shanghai conditionally agreed to acquire 100% equity interest of the target company from the vendors at the consideration of RMB120,000,000. On November 25, 2019, the intention payment of RMB50,000,000 was paid to the vendors in accordance with the terms of the cooperation intention agreement. Please refer to Note 43 (a) regarding the subsequent actions on this acquisition.

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

22. TRADE AND OTHER RECEIVABLES (continued)

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

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

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

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

The Group does not hold any collateral over these balances.

Details of impairment assessment of trade and other receivables are set out in Note 23.

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

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

23. OVERVIEW OF THE GROUP'S EXPOSURE TO CREDIT RISK

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial loss to the Group. The Group's credit risk exposures are primarily attributable to trade receivables, contract assets, restricted bank balances, bank balances, other receivables and rental deposits.

Trade receivables and contract assets arising from contracts with customers

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Credit limits attributed to customers and credit term granted to customers are reviewed regularly. The majority of the Group's trade receivables have no history of defaulting on repayments.

In order to minimize credit risk, the Group has tasked its finance team to develop and maintain the Group's credit risk grading to categorize exposures according to their degree of risk of default. Management uses publicly available information and the Group's own historical repayment records to rate its major customers and other debtors. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group performs impairment assessment under ECL model upon application of IFRS 9 on trade balances individually and/or based on provision matrix. As part of the Group's impairment assessment, the Group uses provision matrix to assess the impairment for its customers because these customers consist of a large number of customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The provision matrix are based on internal credit ratings as groupings of various debtors that have similar loss patterns.

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

Restricted bank balances/bank balances

The Group expects that there is no significant credit risk associated with restricted bank balances and cash deposits at banks since they are substantially deposits at state-owned banks and other medium or large-sized listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

23. OVERVIEW OF THE GROUP'S EXPOSURE TO CREDIT RISK (continued)

Other receivables and rental deposits

For other receivables and rental deposits, the directors of the Company make periodic individual assessment on the recoverability of other receivables and rental deposits based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The directors of the Company believe that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL. For the year ended December 31, 2019 and 2018, the Group assessed the ECL for other receivables and rental deposits were insignificant and thus no loss allowance was recognized.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables/ contract assets	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past due amounts	Lifetime ECL – not credit-impaired	12-month ECL
Watch list	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL – not credit-impaired	12-month ECL
Doubtful	There has been a significant increase in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

23. OVERVIEW OF THE GROUP'S EXPOSURE TO CREDIT RISK (continued)

Other receivables and rental deposits (continued)

The tables below detail the credit risk exposures of the Group's financial assets and contract assets, which are subject to ECL assessment:

	Notes	Internal credit rating	12-month or lifetime ECL	2019 Gross carrying amount *RMB'000*	2018 Gross carrying amount *RMB'000*
Financial assets at amortized costs					
Restricted bank balances	*24*	Low risk	12-month ECL	5,908	8,045
Bank balances and cash	*24*	Low risk	12-month ECL	904,091	155,554
Other receivables	*22*	Low risk	12-month ECL	76,734	2,112
Rental deposits		Low risk	12-month ECL	2,844	2,484
Trade receivables	*22*	*Note (i)*	Lifetime ECL (not credit-impaired)	59,262	52,354
Other item					
Contract assets		*Note (ii)*	Lifetime ECL	5,405	3,368

Notes:

(i) For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit loss on these items by using a provision matrix, grouped by internal credit rating.

(ii) The Group considers the impairment allowance for contract assets is not significant to the Group based on the provision matrix.

As part of the Group's credit risk management, trade receivables have been grouped based on systematic internal credit rating with reference to matrix of factors including the customer's nature, ageing analysis, recent financial performance of the customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. When assessing the internal credit ratings of the customers, the rank and size of customers, the financial performance are considered. The following table provides information about the exposure to credit risk and ECL for trade receivables which are assessed collectively based on provision matrix as at December 31, 2018 and 2019 within lifetime ECL (not credit-impaired).

23. OVERVIEW OF THE GROUP'S EXPOSURE TO CREDIT RISK (continued)

Gross carrying amount

Internal credit rating	2019 Average loss rate	2019 Trade receivables *RMB'000*	2018 Average loss rate	2018 Trade receivables *RMB'000*
Customer Group A: low risk	**0.26%**	**25,980**	0.32%	35,720
Customer Group B: watch list	**5.08%**	**33,282**	4.68%	16,634
		59,262		52,354

During the year ended December 31, 2019, the Group provided RMB928,000 (2018: RMB113,000) impairment allowance for trade receivables based on the provision matrix and RMB884,000 (2018: Nil) impairment allowance for credit impaired debtors, respectively.

The following table shows the movement in lifetime ECL that has been recognized for trade receivables under the simplified approach:

	Lifetime ECL (not credit-impaired) *RMB'000*	Lifetime ECL (credit-impaired) *RMB'000*	Total *RMB'000*
At January 1, 2018	(780)	(336)	(1,116)
– Impairment losses recognized	(113)	–	(113)
– Write-offs	–	336	336
At December 31, 2018	(893)	–	(893)
– Transfer to credit-impaired	64	(64)	–
– Impairment losses recognized	(928)	(884)	(1,812)
– Write-offs	–	948	948
At December 31, 2019	**(1,757)**	**–**	**(1,757)**

The Group writes off a trade receivable when there is information indicating that debtors is in severe financial difficulty and there is no realistic prospect of recovery.

24. RESTRICTED BANK BALANCES/BANK BALANCES AND CASH

Restricted bank balances

At December 31, 2019, the restricted bank balances of RMB5,908,000 (2018: RMB8,045,000), represented government grants and subsidies received by the Group and are restricted for use till the Group complied with the conditions attached to the grants and the government acknowledged acceptance. Corresponding liabilities are recorded in deferred income. The restricted bank balances carried at a fixed interest rate of 0.30% per annum.

Bank balances and cash

Bank balances held by the Group carried interest at prevailing market interest rates which ranged from 0.3% to 2.7% per annum at December 31, 2019 (2018: 0.3% to 3.5%).

Bank balances and cash and restricted bank deposits that are denominated in currencies other than the functional currency of the respective group entities are set out below:

	2019 ***RMB'000***	2018 *RMB'000*
US$	**769,123**	147,828
HK$	**21,332**	67

25. TRADE AND OTHER PAYABLES

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

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

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

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

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

26. CONTRACT LIABILITIES

	2019 *RMB'000*	2018 *RMB'000*
Amounts received in advance of delivery of research and development services	**635**	1,483

As at January 1, 2018, contract liabilities amounted to RMB1,092,000.

Revenue of RMB1,399,000 was recognized during the year ended December 31, 2019 (2018: RMB1,092,000) that was included in the contract liabilities at the beginning of the relevant years.

27. BANK BORROWINGS

	2019 *RMB'000*	2018 *RMB'000*
Secured bank borrowings were repayable:		
Within one year	**525**	497
Over one year but not exceeding two years	**554**	525
Over two years but not exceeding five years	**786**	1,340
	1,865	2,362
Less: Amounts due within one year shown under current liabilities	**525**	497
	1,340	1,865

The bank borrowings bear variable interest rate at 110% of the relevant benchmark interest rate published by the People's Bank of China, that is, at 5.39% per annum at December 31, 2019 (2018: 5.39%).

Details of the assets of the Group at December 31, 2019 and 2018 that have been pledged as collateral to secure the bank borrowings of the Group are set out in Note 14.

28. DEFERRED INCOME

	2019 *RMB'000*	2018 *RMB'000*
Income related government grants	**240**	240
Assets related government grants	**15,604**	9,609
	15,844	9,849
Less: current portion	**–**	–
Non-current portion	**15,844**	9,849

Movement of income related government grants:

	RMB'000
At January 1, 2018, December 31, 2018 and December 31, 2019	240

Movement of assets related government grants:

	RMB'000
At January 1, 2018	10,047
Government grants received	477
Credited to profit or loss	(915)
At December 31, 2018	9,609
Government grants received	7,700
Credited to profit or loss	(1,705)
At December 31, 2019	**15,604**

During the year ended December 31, 2019, the Group received government grants of RMB7,700,000 (2018: RMB477,000) for its investment in laboratory plant and equipment, and other scientific research projects.

29. LEASE LIABILITIES

	2019
	RMB'000
Lease liabilities payable:	
Within one year	24,458
Over one year but not exceeding two years	19,172
Over two years but not exceeding five years	3,912
	47,542
Less: Amount due for settlement with 12 months shown under current liabilities	(24,458)
Amount due for settlement after 12 months shown under non-current liabilities	23,084

30. 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.

30. FINANCIAL LIABILITIES AT FVTPL (continued)

Presentation and classification (continued)

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

	RMB'000
At January 1, 2018	–
Issuance of Series B Preferred Shares	199,942
Change in fair value	20,658
At December 31, 2018	220,600
Change in fair value	34,238
Distribution to the Series B Preferred Shares	(7,939)
Automatic conversion to ordinary shares upon the Global Offering	(246,899)
At December 31, 2019	–

31. SHARE CAPITAL

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

31. SHARE CAPITAL (continued)

	Issued and fully paid number of shares	US$	Shown in the consolidated statement of financial position as *RMB'000*
Ordinary shares			
At January 1, 2018 of US$0.0001 each	175,000,000	17,500	120
Ordinary shares issued *(Note i)*, of US$0.0001 each	71,917,810	7,200	44
At December 31, 2018 of US$0.0001 each	246,917,810	24,700	164
Share Split, of US$0.000025 each	740,753,430	–	–
Automatic conversion of Series B Preferred Shares upon Global Offering *(Note 30)*, 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 32)*, of US$0.000025 each	88,901,398	2,222	15
Repurchase of ordinary shares, of US$0.000025 each *(Note vi)*	(34,364,000)	(859)	(6)
At December 31, 2019, of US$0.000025 each	**1,561,818,398**	**39,053**	**261**

31. 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 of the Company was divided into (1) 1,935,065,872 ordinary shares of US$0.000025 per each share; and (2) 64,934,128 Series B Preferred Shares which were subsequently converted into the same amount of ordinary shares of US$0.000025 per each upon Global Offering (the "**Share Split**").

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

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

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

(vi) Pursuant to the board resolution passed on July 11, 2019, the Company announced to exercise its powers under the repurchase mandate to repurchase shares of the Company pursuant to the written resolutions passed on April 14, 2019 by the then shareholders of the Company. A total of 34,364,000 shares were repurchased and cancelled at a total consideration of HK$147,994,000 (equivalent to approximately RMB132,440,000) for the year ended December 31, 2019.

32. 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.

Details of specific categories of options granted are as follows:

Grant date	Number of options	Expiry date	Exercise price per share	*Notes*
August 1, 2009	788,500	June 22, 2018 ~ July 27, 2019	US$0.20	*(i) (iii) (iv)*
August 3, 2010	4,040,000	June 30, 2019 ~ April 14, 2020	US$0.05	*(i)*
June 15, 2011	14,400,000	June 22, 2018 ~ June 26, 2021	US$0.05	*(i) (iii)*
January 2, 2018	1,125,000	January 1, 2028	US$0.54	*(i)*
January 2, 2018	12,065,000	January 1, 2022	US$0.54	*(ii)*
June 21, 2018	500,000	June 20, 2022	US$1.90	*(v)*

Notes:

(i) 40%, 20%, 20% and 20% of the total number of the options granted shall vest on the second, third, fourth and fifth anniversary of grant date, respectively.

(ii) 100% of the total number of the options granted shall vest on the second anniversary of grant date.

(iii) Pursuant to a board resolution dated January 1, 2018, the expiry dates of 454,500 and 2,800,000 of options granted on August 1, 2009 and June 15, 2011, respectively, were extended to June 30, 2019. There was no significant change in the fair value of the option before and after the modification in connection with the extension of such expiry date.

(iv) The number and the exercise price per share for the options granted on August 1, 2009 represented the unadjusted number and price before the share split incurred on January 26, 2010.

(v) 100% of the total number of the options granted shall vest upon the completion of the IPO.

32. SHARE-BASED PAYMENT TRANSACTIONS (continued)

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

The following table discloses details of the movements of the outstanding options granted under the Schemes during the reporting period:

Option type	Outstanding at January 1, 2019	Share split	Capitalization issue	Granted during year	Exercised during year	Forfeited during year	Outstanding at December 31, 2019
Category 1: Chief Executives and Directors:							
August 1, 2009	2,665,000	7,995,000	1,036,976	–	(11,696,976)	–	–
June 15, 2011	7,000,000	21,000,000	2,723,765	–	(30,723,765)	–	–
January 2, 2018	4,593,000	13,779,000	1,787,180	–	–	–	20,159,180
June 21, 2018	500,000	1,500,000	194,555	–	–	–	2,194,555
Total Chief Executives and Directors	14,758,000	44,274,000	5,742,476	–	(42,420,741)	–	22,353,735
Category 2: Employees							
August 1, 2009	3,530,000	10,590,000	1,373,548	–	(15,493,548)	–	–
August 3, 2010	2,260,000	6,780,000	879,387	–	(9,919,387)	–	–
June 15, 2011	4,800,000	14,400,000	1,867,722	–	(21,067,722)	–	–
January 2, 2018	8,537,000	25,611,000	3,321,835	–	–	(702,257)	36,767,578
Total employees	19,127,000	57,381,000	7,442,492	–	(46,480,657)	(702,257)	36,767,578
Total	33,885,000	101,655,000	13,184,968	–	(88,901,398)	(702,257)	59,121,313
Exercisable at the end of the year	20,255,000						2,194,555
Weighted average exercise price	US$0.26	N/A	N/A	N/A	US$0.01	US$0.12	US$0.13

32. SHARE-BASED PAYMENT TRANSACTIONS (continued)

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

Option type	Outstanding at January 1, 2018	Granted during year	Exercised during year	Forfeited during year	Outstanding at December 31, 2018
Category 1: Chief Executives and Directors:					
August 1, 2009	2,665,000	–	–	–	2,665,000
June 15, 2011	7,000,000	–	–	–	7,000,000
January 2, 2018	–	4,593,000	–	–	4,593,000
June 21, 2018	–	500,000	–	–	500,000
Total Chief Executives and Directors	9,665,000	5,093,000	–	–	14,758,000
Category 2: Employees					
August 1, 2009	3,530,000	–	–	–	3,530,000
August 3, 2010	2,260,000	–	–	–	2,260,000
June 15, 2011	4,800,000	–	–	–	4,800,000
January 2, 2018	–	8,597,000	–	(60,000)	8,537,000
Total employees	10,590,000	8,597,000	–	(60,000)	19,127,000
Total	20,255,000	13,690,000	–	(60,000)	33,885,000
Exercisable at the end of the year	20,255,000				20,255,000
Weighted average exercise price	US$0.04	US$0.59	N/A	US$0.54	US$0.26

32. SHARE-BASED PAYMENT TRANSACTIONS (continued)

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

These fair values of the options granted were determined using the binomial pricing model. These fair values and corresponding inputs into the model were as follows:

	August 1, 2009 *(Note vi)*	April 3, 2010	June 15, 2011	January 2, 2018	June 21, 2018
Grant date option fair value per share	US$0.15	US$0.01	US$0.01	US$0.19 ~ US$0.28	US$0.14
Grant date share price	US$0.24	US$0.02	US$0.03	US$0.58	US$1.10
Exercise price	US$0.20	US$0.05	US$0.05	US$0.54	US$1.90
Expected volatility	56.8% ~ 57.6%	52% ~ 54%	46.1% ~ 47.7%	35.8% ~ 38.5%	35.4%
Expected life	9 ~ 10 years	9 ~ 10 years	7 ~10 years	4 ~ 10 years	4 years
Risk-free rate	3.37% ~ 3.48%	3.64% ~ 3.87%	2.49% ~ 3.15%	2.14% ~ 2.46%	2.71%
Expected dividend yield	0%	0%	0%	0%	0%

Note:

(vi) The option fair value, share price and the exercise price per share for the options granted on August 1, 2009 represented the unadjusted option fair value, share price and exercise price before considering the share split incurred on January 26, 2010.

Expected volatility was determined by using the historical volatility of the comparable companies. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations. The Group recognized the total expense of RMB8,330,000 for the year ended December 31, 2019, in relation to share options granted by the Company (2018: RMB8,602,000).

33. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concern while maximizing the return to shareholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged throughout the reporting period.

The capital structure of the Group consists of net debts, which includes bank borrowings (net of bank balances and cash) and equity attributable to owners of the Company (comprising share capital and reserves).

The management of the Group reviews the capital structure on a continuous basis taking into account the cost of capital and the risks associated with each class of capital. Based on recommendations of the management of the Group, the Group will balance its overall capital structure through the payment of dividends, new share issues share and buy-backs as well as the issue of new debts or the redemption of existing debts.

34. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2019 ***RMB'000***	2018 *RMB'000*
Financial assets		
Financial assets at amortized cost	**1,039,565**	215,186
Financial assets at FVTPL	**652,483**	204,740
	1,692,048	419,926
Financial liabilities		
Financial liabilities at amortized cost	**15,924**	20,922
Financial liabilities at FVTPL	**–**	220,600
	15,924	241,522

34. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies

The Group's major financial assets and liabilities include financial assets at FVTPL, trade and other receivables, restricted bank balances, bank balances and cash, trade and other payables, bank borrowings and financial liabilities at FVTPL. Details of the financial assets and liabilities are disclosed in respective notes. The risks associated with these financial assets and liabilities and the policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

The Group's activities expose it primarily to currency risk, interest rate risk and other price risk.

(i) Currency risk

Certain group entities have foreign currency sales, purchases and bank balances which expose the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of the reporting period are as follows:

	2019 *RMB'000*	2018 *RMB'000*
Assets:		
US$	**849,903**	173,875
HK$	**21,332**	66

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

34. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Market risk (continued)

(i) Currency risk (continued)

Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against US$ and HK$, the foreign currency with which the Group may have a material exposure. 5% represents management's assessment of the reasonably possible change in foreign exchange rate. The sensitivity analysis uses outstanding foreign currency denominated monetary items as a base and adjusts their translation at the end of each reporting period for a 5% change in foreign currency rate. A negative number below indicates a decrease in profit where RMB strengthens 5% against US$ and HK$. For a 5% weakening of RMB against US$ and HK$, there would be an equal and opposite impact on profit.

	2019 *RMB'000*	2018 *RMB'000*
Impact on profit or loss after tax		
US$	(42,090)	(7,979)
HK$	(1,051)	–

In the opinion of the directors of the Company, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposures do not reflect the exposure during the year.

34. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Market risk (continued)

(ii) Interest rate risk

The Group was exposed to fair value interest rate risk in relation to financial liabilities at FVTPL. The Group is also exposed to cash flow interest rate risk in relation to variable rate bank balances and bank borrowings. The Group currently does not have an interest rate hedging policy to mitigate interest rate risk; nevertheless, the management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

Bank balances and bank borrowings are excluded from sensitivity analysis as the directors of the Company consider that the exposure of cash flow interest rate risk arising from variable-rate bank balances and bank borrowings are insignificant.

(iii) Other price risk

The Group is also exposed to other price risk through financial assets at FVTPL.

Sensitivity analysis

The sensitivity analyzes below have been determined based on the exposure to equity price risk at the reporting date for financial assets at FVTPL.

If the prices of the equity investments held by the Group had been changed based on the 5% higher/lower, post-tax profit for the year ended December 31, 2019 would increase/decrease by RMB31,953,000 (2018: increase/decrease by RMB9,833,000) as a result of the changes in fair value of financial assets at FVTPL.

34. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment

At December 31, 2019, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is the carrying amount of the respective recognized financial assets measured at amortized cost as stated in the consolidated statements of financial position.

Note 23 details the Group's maximum exposure to credit risk and the measurement bases used to determine expected credit losses since January 1, 2019.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management of the Group monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities and lease liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

34. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity and interest risk tables

	Weighted average interest rate	**On demand or less than 1 year**	**1 to 5 years**	**Total undiscounted cash flows**	**Carrying Amount**
		RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
At December 31, 2019					
Trade and other payables	**N/A**	**14,059**	**–**	**14,059**	**14,059**
Bank borrowings – variable interest rate	**5.39%**	**612**	**1,429**	**2,041**	**1,865**
Lease liabilities	**5.23%**	**26,080**	**23,789**	**49,869**	**47,542**
Total		**40,751**	**25,218**	**65,969**	**63,466**

	Weighted average interest rate	On demand or less than 1 year	1 to 5 years	Total undiscounted cash flows	Carrying Amount
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At December 31, 2018					
Trade and other payables	N/A	18,560	–	18,560	18,560
Bank borrowings – variable interest rate	5.39%	612	2,041	2,653	2,362
Financial liabilities at FVTPL	11%	–	243,929	243,929	220,600
Total		19,172	245,970	265,142	241,522

34. FINANCIAL INSTRUMENTS (continued)

(c) Fair value measurements of financial instruments

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

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

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

34. FINANCIAL INSTRUMENTS (continued)

(c) Fair value measurements of financial instruments (continued)

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

Financial assets	Fair value at 2019 *RMB'000*	Fair value at 2018 *RMB'000*	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Financial product	**5,212**	–	Level 2	Discounted cash flow method	N/A	N/A
Unlisted investment at FVTPL	**334,529**	109,065	Level 2	Most recent transaction price	N/A	N/A
	73,111	32,203	Level 3	Comparable Company method	The ratio of P/R&D	The higher the ratio of P/R&D, the higher the valuation
	224,548	63,472	Level 3	Backsolve from most recent transaction price	IPO Probability	The higher the probability, the higher the valuation
	15,083	–	Level 3	Discounted cash flow method	Conversion Probability	The higher the probability, the higher the valuation
	652,483	204,740				

34. FINANCIAL INSTRUMENTS (continued)

(c) Fair value measurements of financial instruments (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:

	Total
	RMB'000
At January 1, 2018	65,295
Acquired	10,596
Recognized from SFE revenue	20,725
Recognized from deemed disposal of a joint venture	12,589
Gain on fair value change	64,273
Disposal	(63,085)
Transfer from level 2	10,570
Transfer to level 2	(25,288)
At December 31, 2018	95,675
Acquired	74,662
Recognized from SFE revenue	21,514
Recognized from deemed disposal of a joint venture	14,328
Gain on fair value change	49,851
Exchange adjustment	179
Disposal	(10,000)
Transfer from level 2	92,206
Transfer to level 2	(25,673)
At December 31, 2019	**312,742**

34. FINANCIAL INSTRUMENTS (continued)

(c) Fair value measurements of financial instruments (continued)

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

Details of reconciliation of financial liabilities at FVTPL measured at Level 3 fair value measurement are set out in Note 30.

Of the total gains or losses for the year ended December 31, 2019 included in profit or loss, RMB49,851,000 (2018: RMB36,399,000) was unrealized fair value gains related to financial assets at FVTPL held at December 31, 2019. Fair value gains or losses on financial assets at FVTPL are included in "Fair value gain on financial assets at FVTPL".

Of the total gains or losses for the year ended December 31, 2019 included in profit or loss, RMB Nil (2018: RMB20,658,000) was unrealized fair value loss related to financial liabilities at FVTPL held at December 31, 2019. Fair value gains or losses on financial liabilities at FVTPL are included in "Fair value loss on financial liabilities at FVTPL".

(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 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.

35. OPERATING LEASES

The Group as lessee

The Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2018
	RMB'000
Within one year	7,245
In the second to fourth year inclusive	12,167
	19,412

36. RETIREMENT BENEFITS PLANS

The employees of the Group's subsidiaries in the PRC are members of the state-managed retirement benefits schemes operated by the relevant local government authority in the PRC. The subsidiaries are required to contribute a certain percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The total expense recognized in profit or loss of RMB16,791,000 (2018: RMB10,672,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans.

37. CAPITAL COMMITMENTS

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

	2019 *RMB'000*	2018 *RMB'000*
Commitments for the acquisition of property, plant and equipment	**355,003**	346,262

38. CONTINGENT LIABILITIES

At the end of each reporting period, the Group had no significant contingent liability.

39. 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 consolidated financial statements.

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

Notes:

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

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

39. RELATED PARTY DISCLOSURES (continued)

(2) Transactions with related parties

i. Provision of research and development services

	2019 *RMB'000*	2018 *RMB'000*
Jiaxing Youbo Biotech Co., Ltd.	**4,097**	2,191
Jiaxing Tekeluo Biotech Co., Ltd.	**2,257**	1,118
QureBio Limited	**654**	3,495
	7,008	6,804

ii. Interest expenses arising from related parties' loans

	2019 *RMB'000*	2018 *RMB'000*
Shanghai Daidai (Hong Kong) Limited	**–**	42
JMCR Partners Limited	**–**	372
	–	414

39. RELATED PARTY DISCLOSURES (continued)

(3) Related parties balances

	2019 *RMB'000*	2018 *RMB'000*
Trade receivables from related parties		
Jiaxing Tekeluo Biotech Co., Ltd.	**174**	326
Jiaxing Youbo Biotech Co., Ltd.	**1,813**	882
QureBio Limited	**–**	713
	1,987	1,921

(4) Compensation of key management personnel

The remuneration of the directors of the Company and other members of key management of the Group during the year ended December 31, 2019 and 2018 were as follows:

	2019 *RMB'000*	2018 *RMB'000*
Director fee	**855**	–
Salaries and other benefits	**11,444**	6,679
Performance-based bonus	**648**	48
Retirement benefits scheme contributions	**86**	78
Share-based compensation	**4,246**	4,339
	17,279	11,144

40. PARTICULARS OF SUBSIDIARIES

As of December 31, 2019 and 2018, the Company has direct and indirect shareholders' interests in the following subsidiaries:

Name of subsidiaries	Place of incorporation/ operation and date of incorporation	Issued and fully paid capital/ registered capital	Shareholding/ equity interest attributable to the Company At December 31, 2019	2018	Principal activities	*Notes*
Directly held:						
Viva Biotech Limited (“**Viva Biotech HK**”)	Hong Kong, June 17, 2008	US$2,000,000	**100%**	100%	Investment holding	*(a)*
Indirectly held:						
Viva Biotech Shanghai (維亞生物科技(上海)有限公司)	PRC, August 14, 2008	US$25,000,000	**100%**	100%	Primarily providing research services	*(b)*
Jiaxing Viva (嘉興維亞生物科技有限公司)	PRC, March 19, 2014	RMB30,000,000	**100%**	100%	Primarily providing research services	*(c)*
Shanghai Benyuan Enterpreneurship Incubator Management Limited (“**Viva Incubator Shanghai**”) (上海本苑創業孵化器管理有限公司)	PRC, December 7, 2015	RMB20,000,000	**100%**	100%	Business incubator	*(c)*
Viva Incubator Investment Management Limited (“**Viva Incubator HK**”)	Hong Kong, March 20, 2017	US$5,000,000	**100%**	100%	Investment holding	*(b)*
Sichuan Viva Benyuan Biotech Limited (“**Sichuan Viva**”) (四川維亞本苑生物科技有限公司)	PRC, October 30, 2018	US$30,000,000	**100%**	100%	Business incubator	*(b)*
Shenzhen Viva Biotech Limited (“**Shenzhen Viva**”) (深圳維亞生物科技有限公司)	PRC, October 21, 2019	RMB10,000,000	**100%**	N/A	Business incubator	*(c) (d)*

Notes:

(a) Viva Biotech HK is directly held by the Company.

(b) Viva Biotech Shanghai, Sichuan Viva and Viva Incubator HK are indirectly held by the Company through Viva Biotech HK.

(c) These companies are indirectly held by the Company through Viva Biotech Shanghai.

(d) On October 21, 2019, Shenzhen Viva was established with a register capital of RMB10,000,000.

41. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2019 *RMB'000*	2018 *RMB'000*
Non-Current Assets		
Investment in subsidiaries	62,514	54,184
Amount due from a subsidiary	–	139,676
Financial assets at FVTPL	77,005	53,861
	139,519	247,721
Current Assets		
Amounts due from subsidiaries	375,867	28,009
Deferred issue costs and other receivables	1	6,744
Bank balances and cash	851,131	81,332
	1,226,999	116,085
Current Liabilities		
Accrued listing expenses and issue costs	251	11,516
Income tax payables	1,907	1,602
Trade and other payables	2,709	–
Amounts due to subsidiaries	47,143	72,643
	52,010	85,761
Net Current Assets	1,174,989	30,324
Total Assets Less Current Liabilities	1,314,508	278,045
Non-Current Liabilities		
Financial liabilities at FVTPL	–	220,600
Deferred tax liabilities	244	1,020
	244	221,620
Net Assets	1,314,264	56,425
Capital and Reserves		
Share capital	261	164
Reserves	1,314,003	56,261
Total Equity	1,314,264	56,425

41. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (continued)

The reserves movement of the Company is as follows:

	Share premium *RMB'000*	Share option reserve *RMB'000*	Other reserve *RMB'000*	(Accumulated losses) retained earnings *RMB'000*	Total *RMB'000*
At January 1, 2018	13,590	11,883	33,705	(14,790)	44,388
Profit and total comprehensive income for the year	–	–	–	3,315	3,315
Recognition of equity-settled share-based payment	–	8,602	–	–	8,602
Issue of ordinary shares	33,661	–	(33,705)	–	(44)
At December 31, 2018	47,251	20,485	–	(11,475)	56,261
Loss and total comprehensive expense for the year	–	–	–	(2,010)	(2,010)
Recognition of equity-settled share based payment	–	8,330	–	–	8,330
Issue of shares pursuant to Capitalization Issue	(17)	–	–	–	(17)
Dividends recognized as distribution	(127,896)	–	–	–	(127,896)
Automatic conversion of Series B Preferred Shares upon Global Offering	246,888	–	–	–	246,888
Shares issued upon Global Offering and Over-allotment	1,339,920	–	–	–	1,339,920
Transaction costs attributable to issue of new shares	(80,687)	–	–	–	(80,687)
Exercise of share options	5,648	–	–	–	5,648
Repurchase shares of the Company	(132,434)	–	–	–	(132,434)
At December 31, 2019	**1,298,673**	**28,815**	**–**	**(13,485)**	**1,314,003**

42. NOTE TO CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Borrowings	Lease liabilities	Loans from related parties (non-trade)	Financial liabilities At FVTPL	Payable for listing expenses and issue costs	Cash Dividends	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2018	2,833	–	12,112	–	–	–	14,945
Financing cash flow *(Note i)*	(614)	–	(15,336)	199,942	(4,513)	–	179,479
Operating cash flow *(Note ii)*	–	–	–	–	(14,969)	–	(14,969)
Listing expenses	–	–	–	–	24,274	–	24,274
Deferred issue costs	–	–	–	–	6,724	–	6,724
Acquisition of financial assets at FVTPL	–	–	3,267	–	–	–	3,267
Fair value loss on financial liability at FVTPL	–	–	–	20,658	–	–	20,658
Interest on borrowings	143	–	414	–	–	–	557
Exchange gain	–	–	(457)	–	–	–	(457)
At December 31, 2018	2,362	–	–	220,600	11,516	–	234,478
Adjustment upon application of IFRS 16	–	15,177	–	–	–	–	15,177
At January 1, 2019	**2,362**	**15,177**	**–**	**220,600**	**11,516**	**–**	**249,655**
Financing cash flow *(Note i)*	**(785)**	**(15,545)**	**–**	**–**	**(76,174)**	**(135,835)**	**(228,339)**
Operating cash flow *(Note ii)*	**–**	**–**	**–**	**–**	**(27,839)**	**–**	**(27,839)**
Listing expenses	**–**	**–**	**–**	**–**	**17,909**	**–**	**17,909**
Deferred issue costs	**–**	**–**	**–**	**–**	**73,963**	**–**	**73,963**
Converting preferred shares into ordinary shares	**–**	**–**	**–**	**(246,899)**	**–**	**–**	**(246,899)**
New leases entered	**–**	**45,937**	**–**	**–**	**–**	**–**	**45,937**
Finance cost	**–**	**1,973**	**–**	**–**	**–**	**–**	**1,973**
Dividend recognized as Distribution	**–**	**–**	**–**	**(7,939)**	**–**	**135,835**	**127,896**
Fair value loss on financial liability at FVTPL	**–**	**–**	**–**	**34,238**	**–**	**–**	**34,238**
Interest on borrowings	**288**	**–**	**–**	**–**	**–**	**–**	**288**
Exchange loss	**–**	**–**	**–**	**–**	**876**	**–**	**876**
At December 31, 2019	**1,865**	**47,542**	**–**	**–**	**251**	**–**	**49,658**

Notes:

(i) The financing cash flows represent 1) the repayment of bank borrowings and interest paid, 2) the repayment of lease liabilities, 3) the repayment to related parties, 4) the proceeds from the issue of the Company's convertible redeemable preferred shares, 5) the payment of the issue costs that are attributable to proposed issue of new shares, and 6) the payment of cash dividends.

(ii) The operating cash flow represents the payment of the listing expenses charged to profit or loss.

42. NOTE TO CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

(b) Major non-cash transactions

(1) During the reporting period, the Group provides research services under SFE method to its customer in exchange for equity interests of the customer.

(2) During the year ended December 31, 2019, the Group entered into new lease agreements for the use of offices for 2 to 3 years. On the dates of lease commencement, the Group recognized RMB46,192,000 of right-of-use assets and RMB45,937,000 lease liabilities.

43. SUBSEQUENT EVENTS

Except as disclosed elsewhere of the consolidated financial information, the Group has following significant events subsequent to December 31, 2019:

a. Pursuant to the written board resolutions passed on January 21, 2020, the Company announced Viva Biotech Shanghai entered into the equity transfer agreement with the vendors, whereby Viva Biotech Shanghai conditionally agreed to acquire 100% equity interest of the target company from the vendors at the consideration of RMB120,000,000. The transaction was completed on March 9, 2020.

b. On February 11, 2020, Viva Incubator HK issued US$180,000,000 2.50 per cent convertible bonds due 2025 and guaranteed by the Company.

c. The outbreak of the 2019 Novel Coronavirus ("**COVID-19**") epidemic in the PRC and the subsequent mandatory quarantine measures imposed by the PRC government as well as the travel restrictions imposed by other countries in early 2020 has impact on the business and operations of the Group as majority of the Group's operations are located in the PRC. As required by the local government offices in which the Group's operate, entities including the Group were not allowed to resume operations until mid-February 2020 in an effort to contain the spread of the epidemic. Pending on the further development and spread of COVID-19 epidemic, further changes in economic conditions for the Group arising thereof may have impact on the financial results of the Group. However, the extent of which could not be estimated as of the date of the approval of these consolidated financial statements. The Group will closely monitor the development of the COVID-19 epidemic and continue to assess its impact on the Group's operating activities and financial position.

Definitions

"Articles of Association"	the articles of association of the Company, as amended from time to time
"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

Definitions

"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
"Jiaxing Viva"	Jiaxing Viva Biotech Limited (嘉興維亞生物科技有限公司), a limited liability company established in the PRC on March 19, 2014, and an indirect wholly-owned subsidiary of our Company
"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

"Post-IPO Share Option Scheme"	the post-IPO share option scheme as adopted by the Company on April 14, 2019
"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
"Proviva"	Proviva Therapeutics, Inc, a company incorporated in the Cayman Islands on May 15, 2019 and a incubator portfolio company of the Group
"Reporting Period"	the year ended December 31, 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
"Sichuan Viva"	Sichuan Viva Benyuan Biotech Limited (四川維亞本苑生物科技有限公司), a limited liability company established in the PRC on October 30, 2018, and an indirect wholly-owned subsidiary of our Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

Definitions

"Viva Biotech HK"	Viva Biotech Limited (維亞生物科技有限公司), a limited company incorporated in Hong Kong on June 17, 2008, and a direct wholly-owned subsidiary of the Company
"Viva Biotech Shanghai"	Viva Biotech (Shanghai) Ltd. (維亞生物科技(上海)有限公司), a limited liability company established in the PRC on August 14, 2008, and an indirect wholly-owned subsidiary of the Company
"Viva Incubator Shanghai"	Shanghai Benyuan Entrepreneurship Incubator Management Limited (上海本苑創業孵化器管理有限公司), a limited liability company established in the PRC on December 7, 2015, and an indirect wholly-owned subsidiary of the Company
"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